



CPM Group

---

# **The Outlook For Silver And The Economy**

*... and a few Silver and Gold Myths and Lies*

*The Silver Summit*  
*Spokane*  
*24 October 2013*

---

Jeffrey M. Christian  
Managing Partner  
jchristian@cpmgroup.com

30 Broad Street, 37<sup>th</sup> Floor  
New York, NY 10004  
www.cpmgroup.com

# ***You Are Invited...***

## **“Challenge Your Assumptions”**

You are all cordially invited to join CPM Group’s reception this evening from 8:00 to 10:00 p.m., with coffee and dessert, in the Flowerfield Room. We will be there to discuss silver, gold, economics, other topics that come up, and to answer any questions.

**Visit Matt or me at our Table here at the Silver Summit, or stop us to talk metals realities in the hall.**



## **This was from my 2012 Silver Summit Speech...**

---

### **Where Was The Silver Collapse, In September {2012!} or Earlier?**

Silver hucksters have been telling you since the late 1980s, or the late 1990s for some of them, that there is one, or a few, bank(s) with enormous naked short positions in silver that would 'blow up' in their faces.

The latest was a **promise** by GATA on Kitco in August {2012} that JP Morgan's purported silver short would blow up during September {2012}.

It's late October now. Once again, no silver short position blew up... **because there are no such naked short positions. {It's late October 2013 now. Another year has passed in which the long-promised silver market 'explosion' did not occur! How Long Will You Wait? At what point do you question whether these people know anything real at all?}**

**How many times does someone have to lie to you before you stop believing him?**



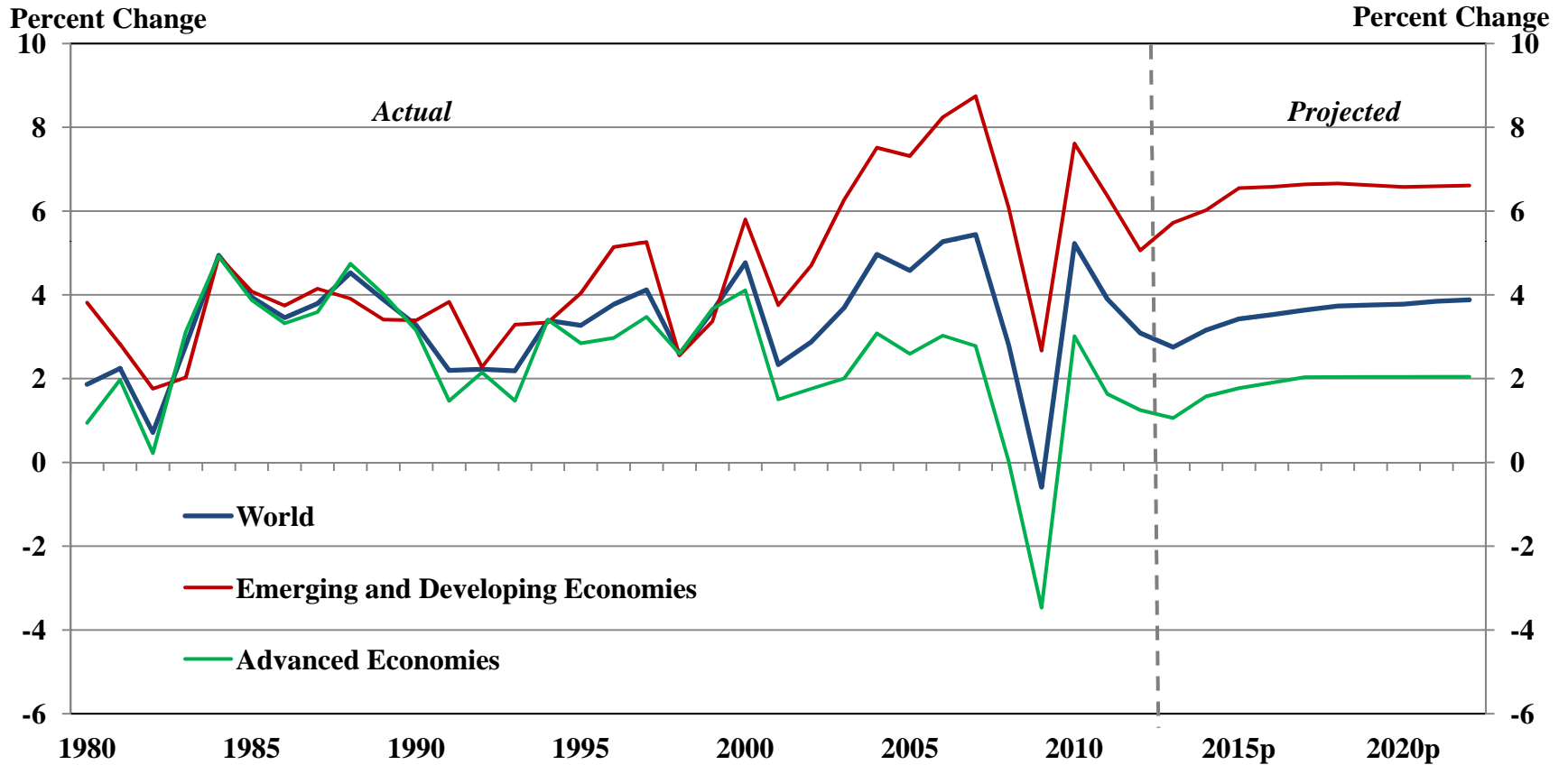
CPM Group

---

# *The Economy*

# Slower Real Economic Growth Globally Long Term

**Real Gross Domestic Product**  
Annual, Projected Through 2022



Source: IMF, CPM Group

Note: Historical data are IMF statistics. Projections are made by CPM Group. Projections for "Emerging and Developing Economies" are only for BRIC countries, which account for approximately 52.8% of this category. Projections for "Advanced Economies" are only for the U.S., U.K., Eurozone, and Japan. These countries accounted for 82.2% of this category.

# Slowing Chinese Economic Growth: On Target For Government

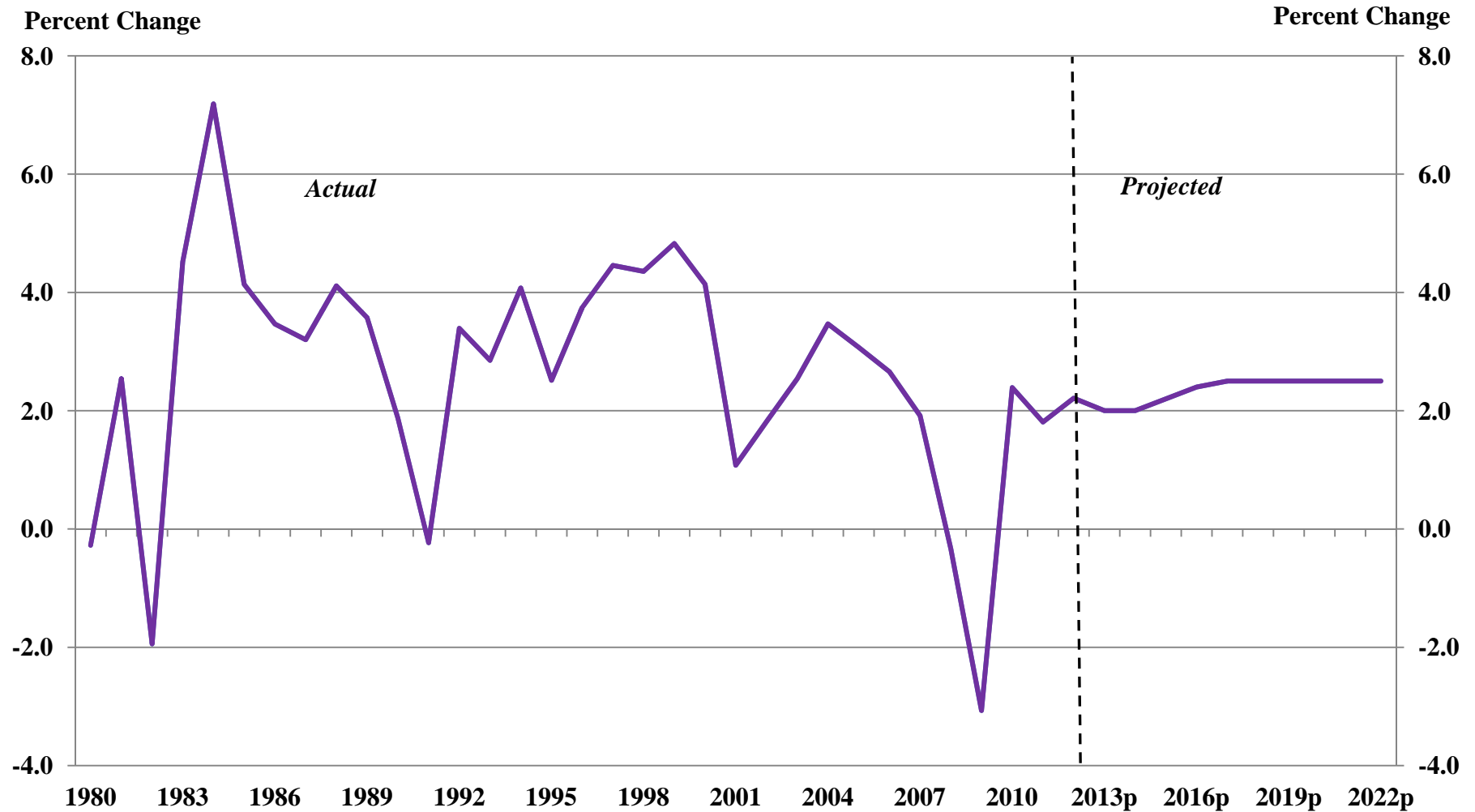
Chinese GDP

Quarterly Data, Through Q2 2013



# Sub-par Growth in U.S. Real Gross Domestic Product

Annual, Projected Through 2022



# Inflation Remains Under Control For Now; Deflation is the Major Risk

Monthly Data, Through August 2013





# Unemployment Is A Big Constraint on Recovery, Limits Inflation

*U.S. Unemployment; Monthly Data, Through August 2013*

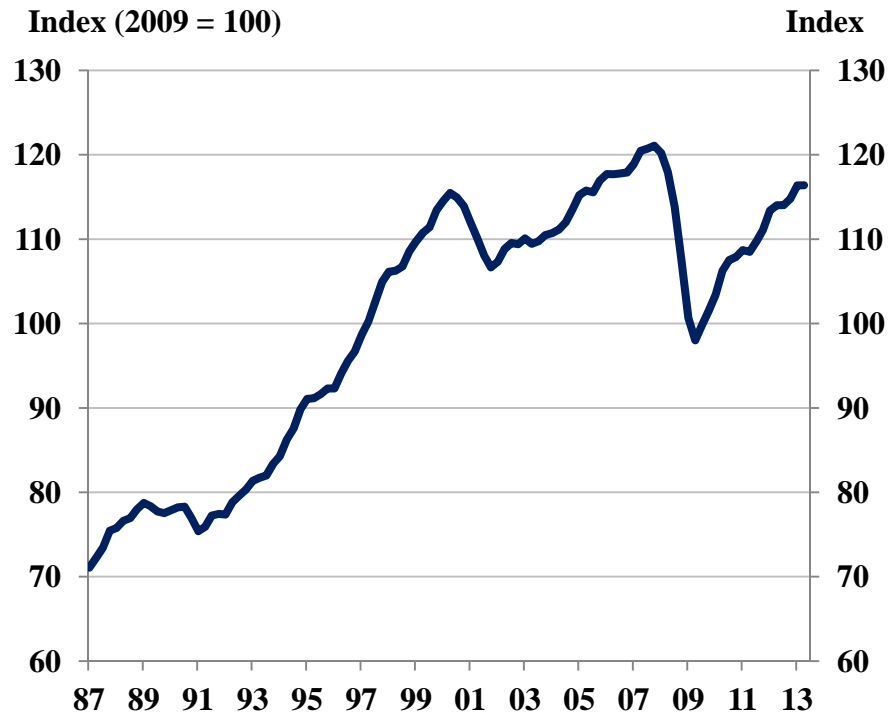


# Surplus Labor Will Be A Major Global Problem Now and Going Forward

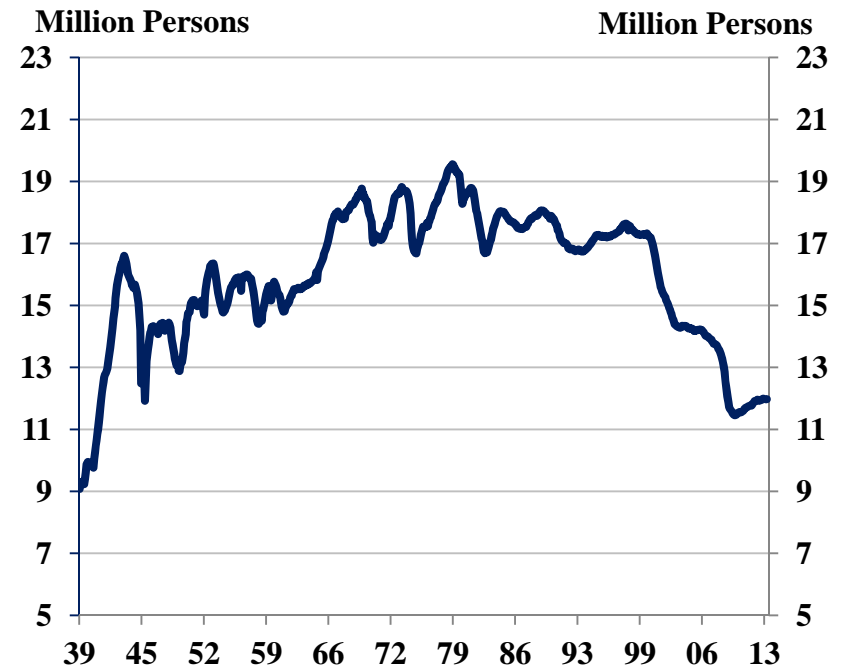
The U.S. manufactures 51% more today than it did in the late 1980s, but uses 34% fewer workers. More jobs have been lost to computers than to off-shoring.

**The next wave of technological innovation will be even more devastating to jobs, replacing computer-assisted manufacturing with computerized manufacturing. It already has begun.**

### U.S. Manufacturing Output



### U.S. Manufacturing Employment



*Silver*

# Silver Prices: Waning Investor Interest

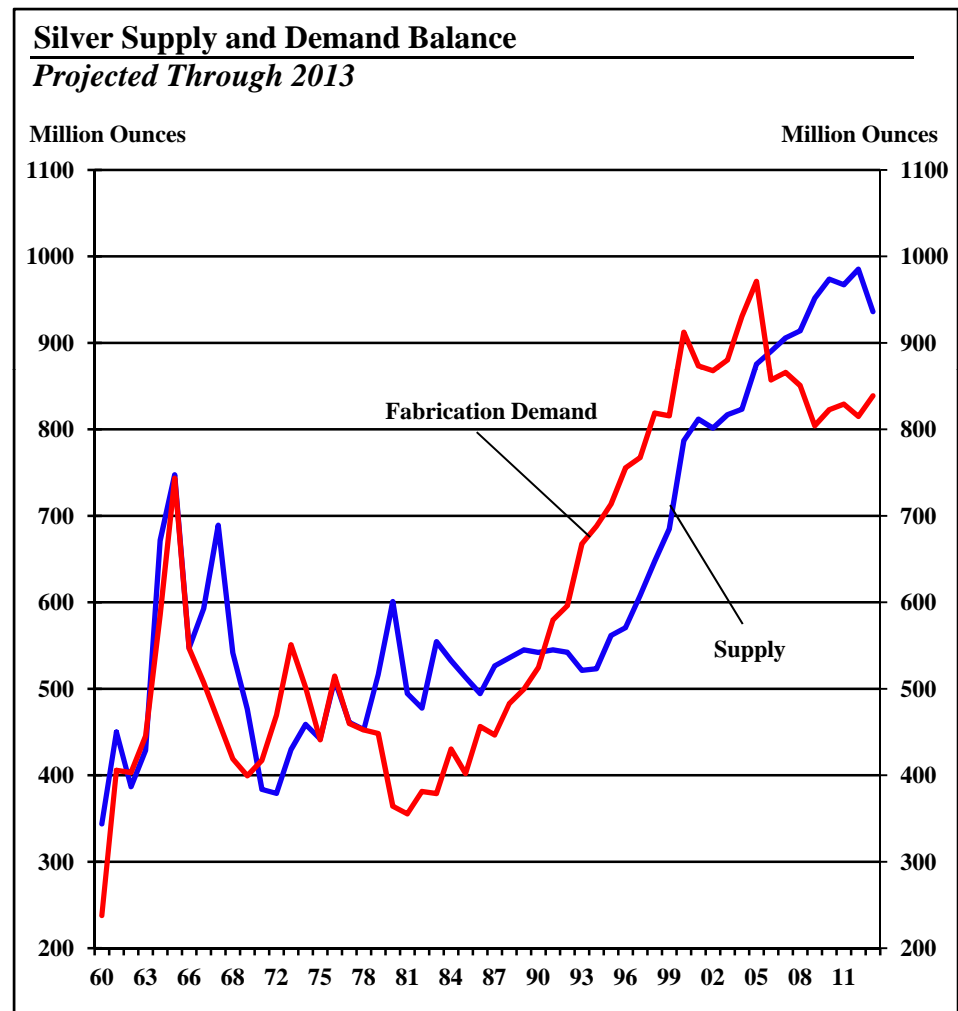
## Comex Silver Prices

*Daily, Through 10 October 2013*



# Key Silver Market Trends

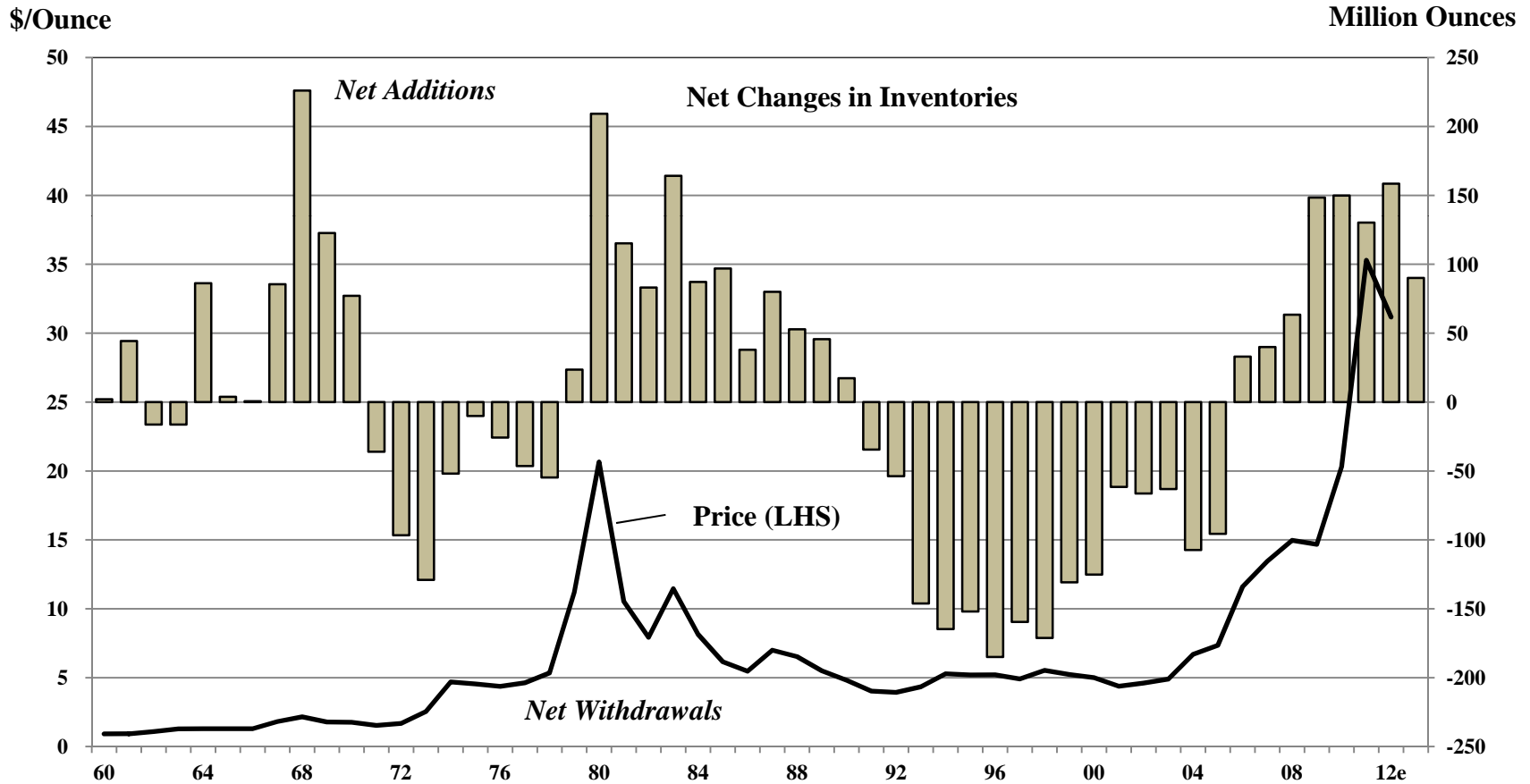
- Investment Demand** is projected to decline 43% to 97.5 million ounces in 2013, despite an expected 30 million ounce increase in coin demand. Large institutional and high net worth individuals with short to medium term investment horizons appear to be selling their bullion due to cyclical weakness.
- Total Newly Refined Supply** may decline 5% in 2013, mostly due to the 19% drop in old scrap, a highly price-sensitive source of supply.
- Fabrication Demand** is expected to rise to 838.7 million ounces this year, up 3% from a year ago. This increase is almost entirely driven by the 17.6 million ounces increase in jewelry and silverware demand, which has benefitted from lower silver prices.



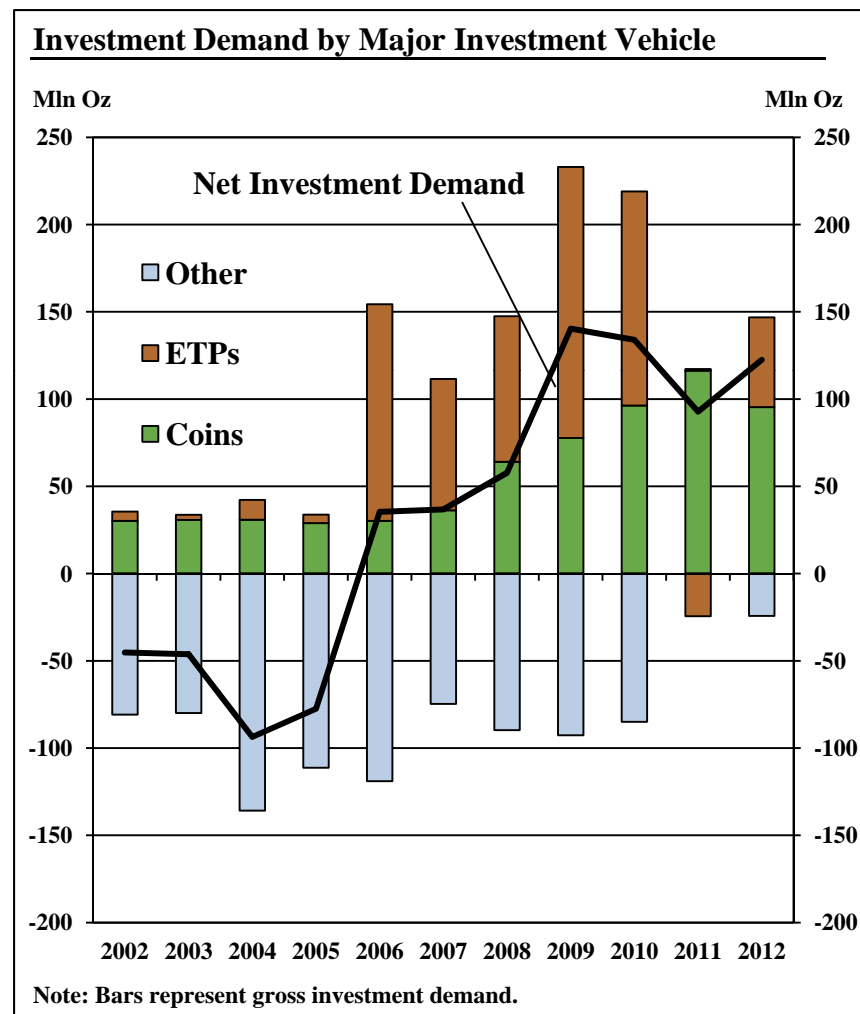
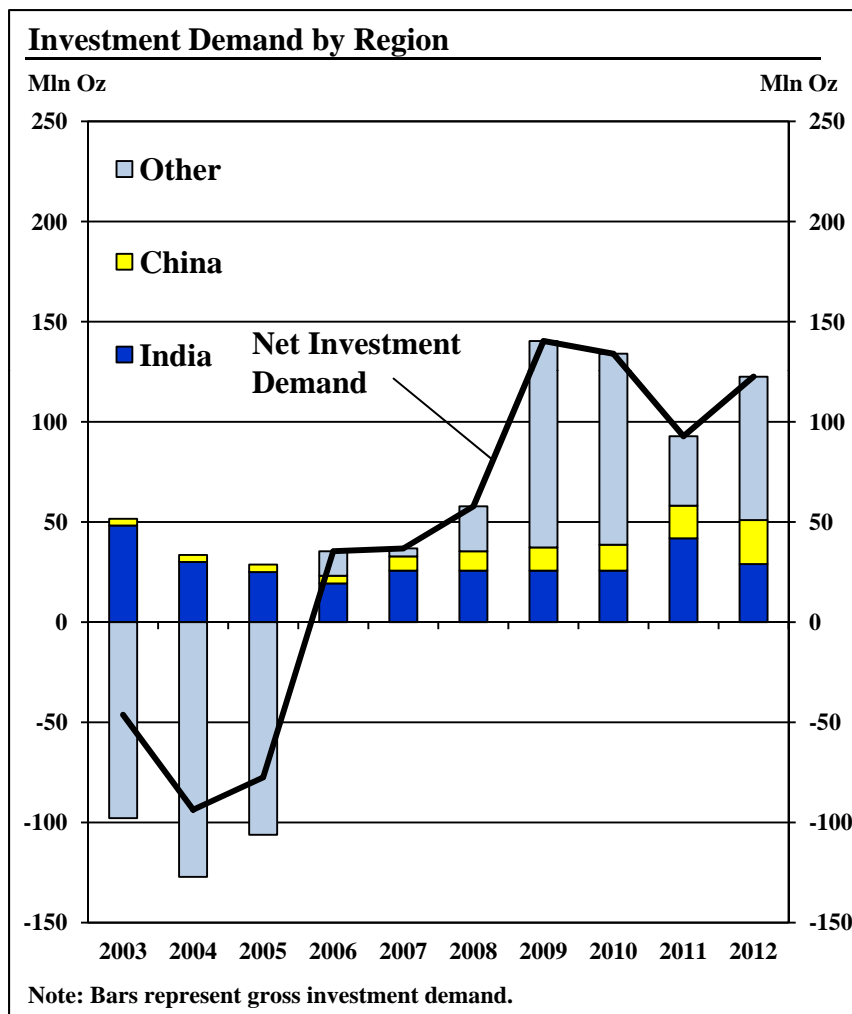
# Silver Investment Demand to Drop 43% This Year

## Silver Market Balance

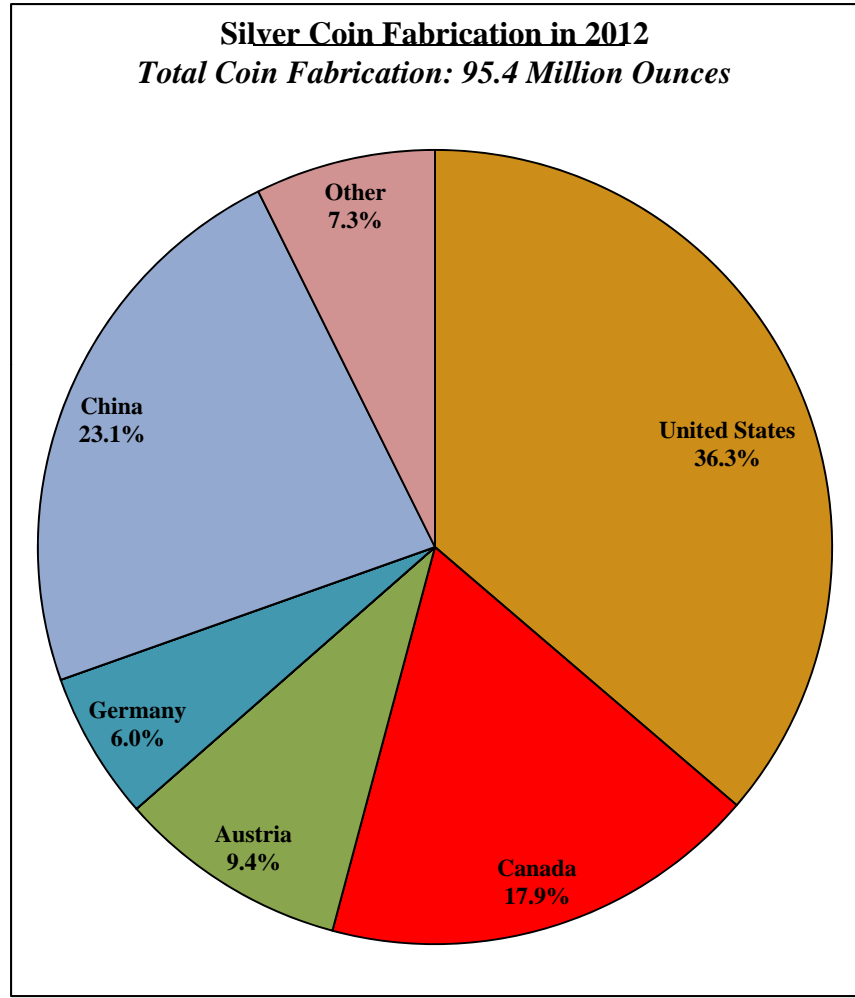
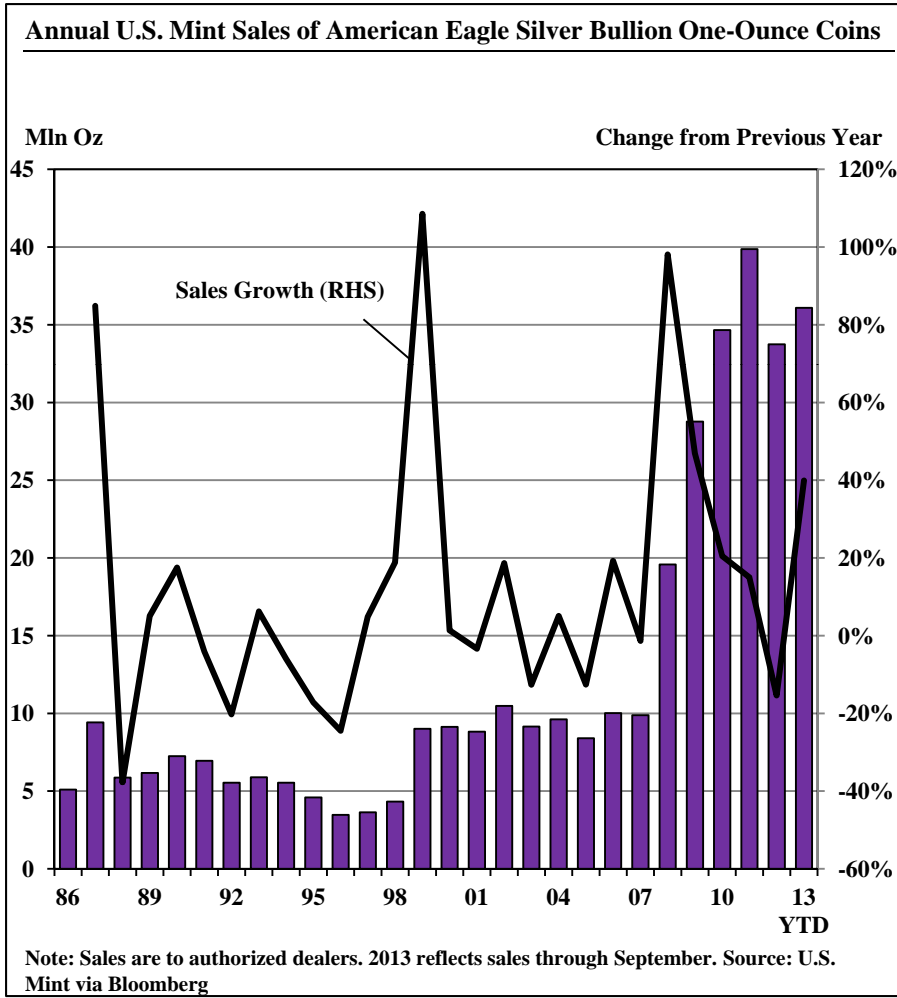
Projected Through 2013, Prices through 2012



# Investment Demand Trends by Source



# Coin Fabrication Declined 18% in 2012, May Rise 30% in 2013

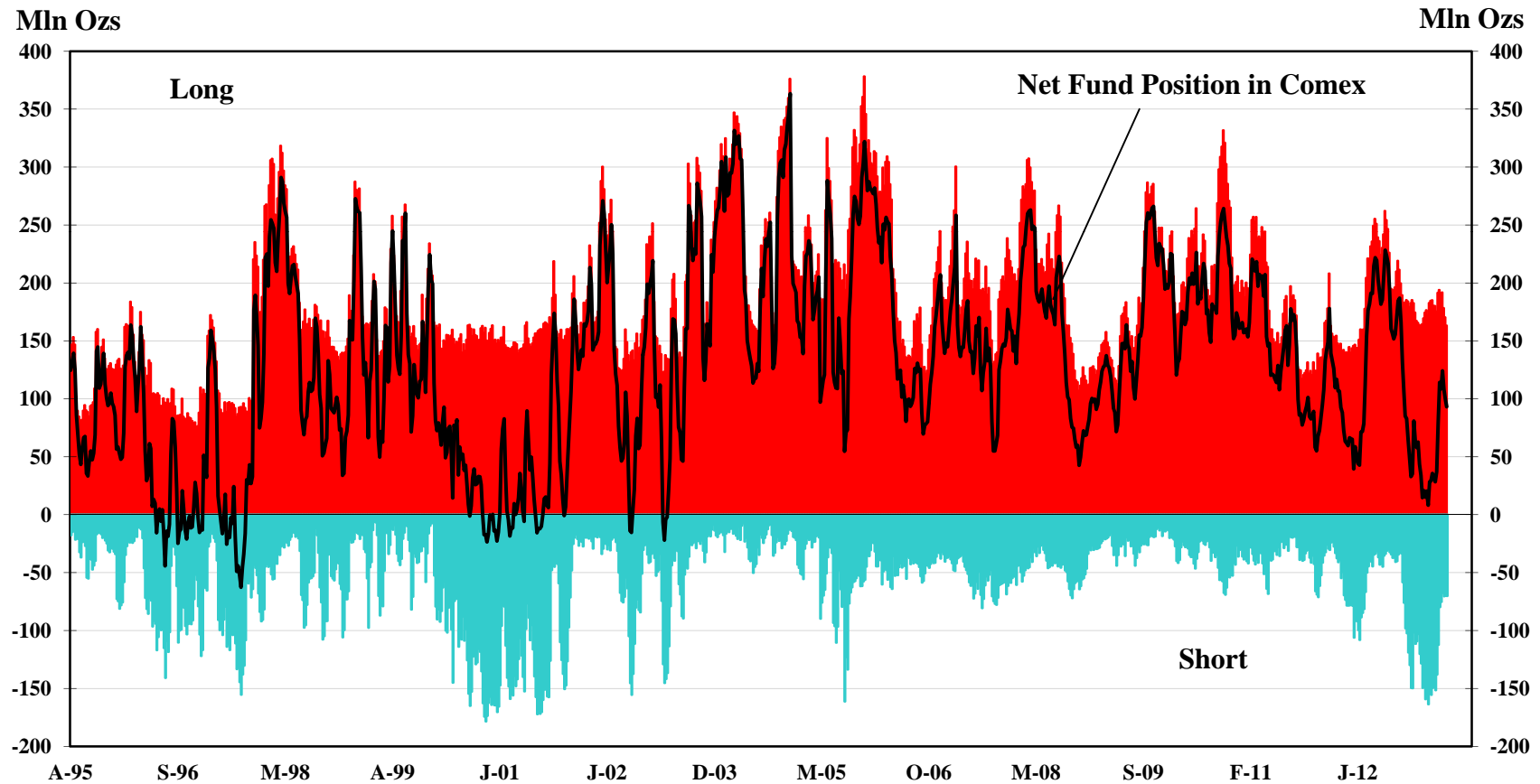




# Major Short Building in 2012 and 2013

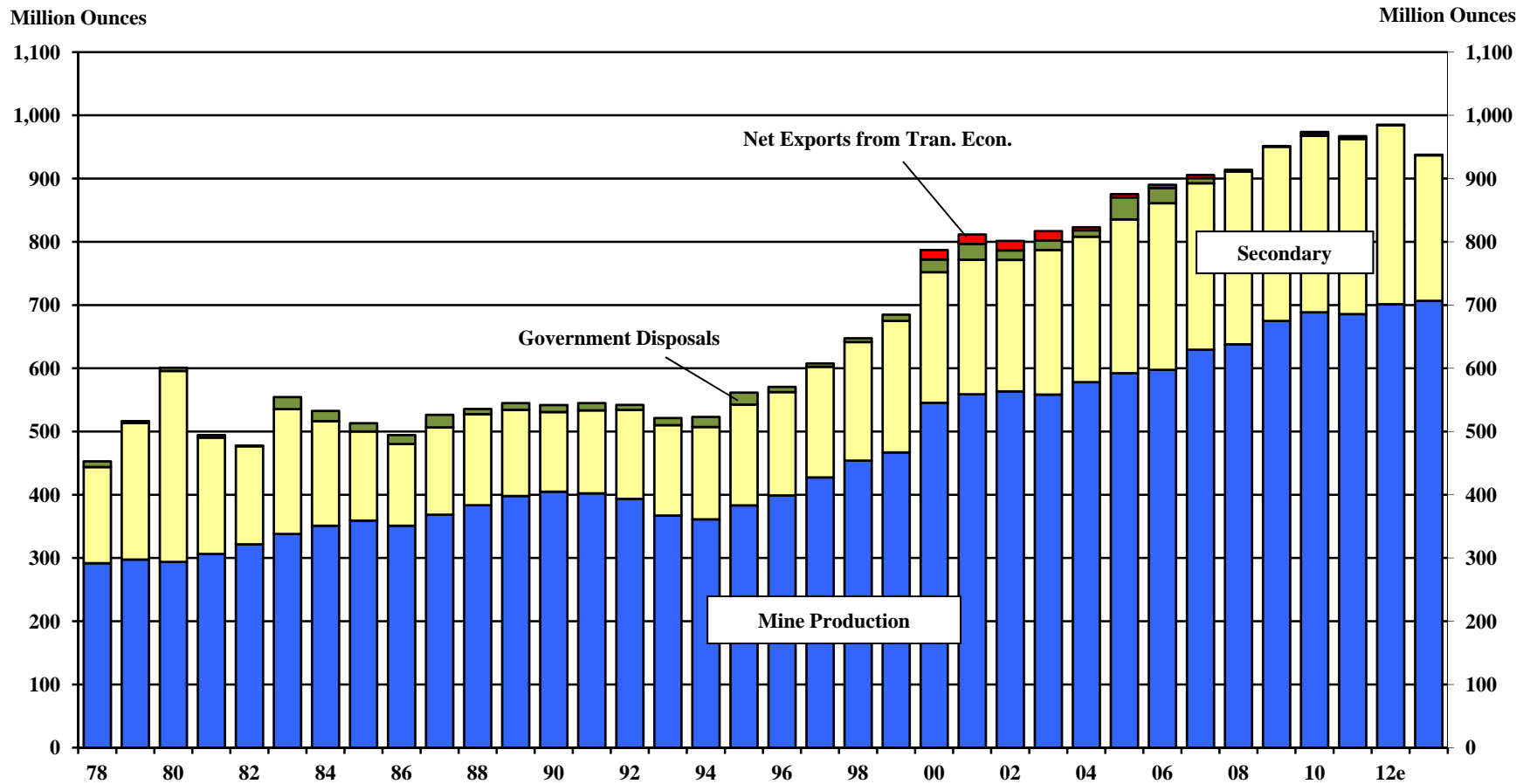
## Gross Long and Short Positions of Non-Commercials

*Comex Silver Futures and Options. Weekly Data, Through 24 September 2013*

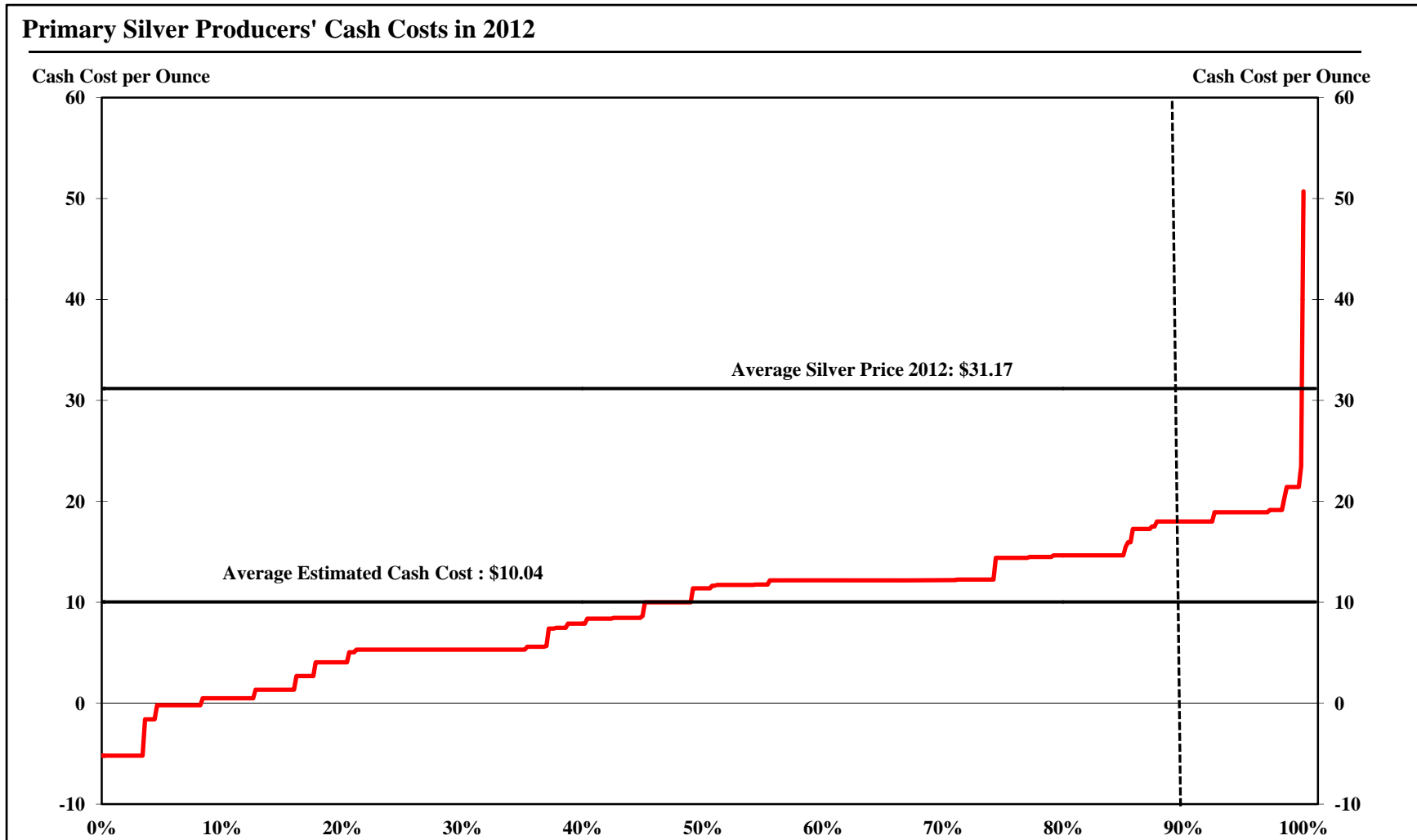


# Total Supply is Expected to Decline 5% in 2013

**Annual Total Supply**  
*Projected Through 2013*

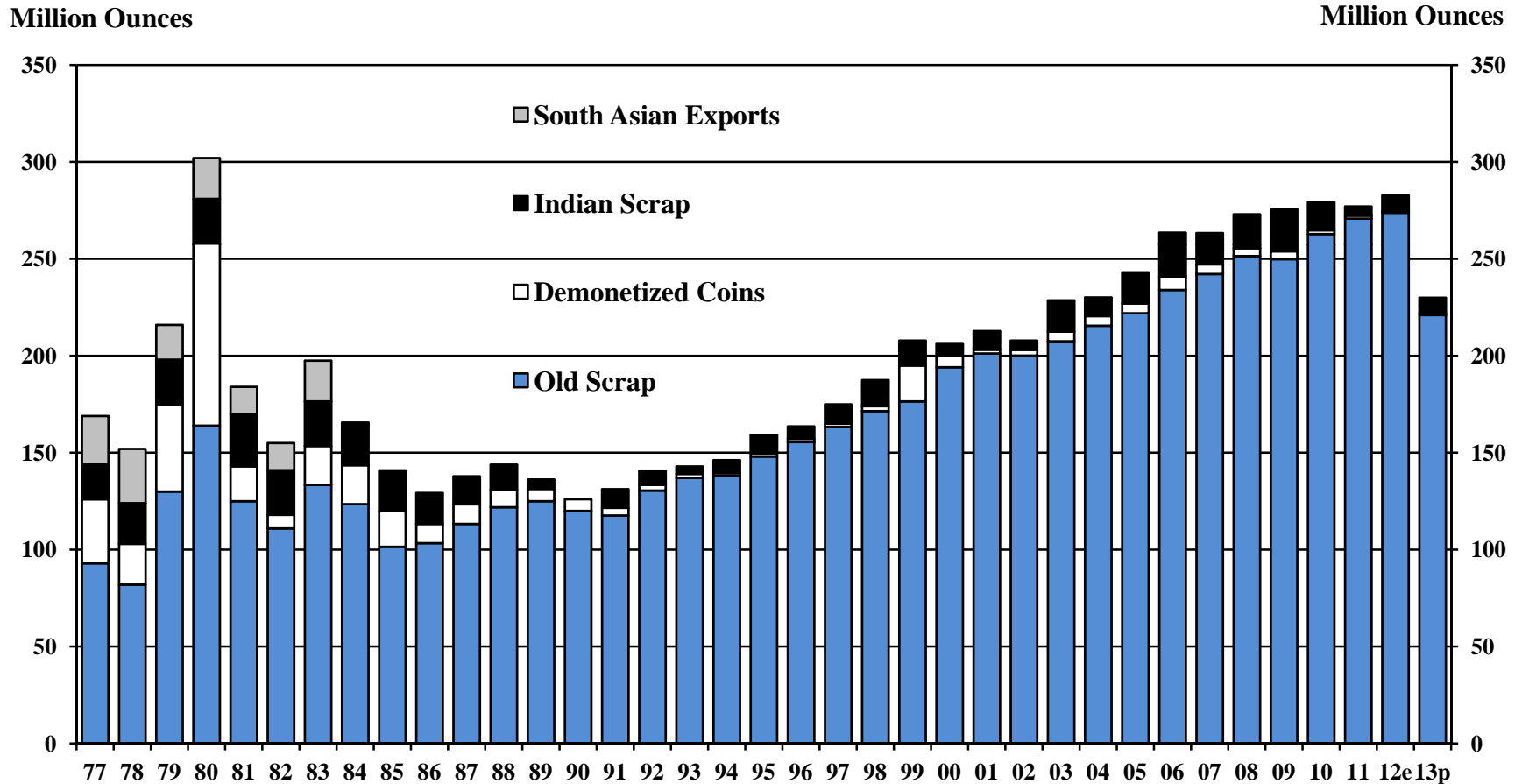


# Silver Cash Costs Rose 19.0% in 2012



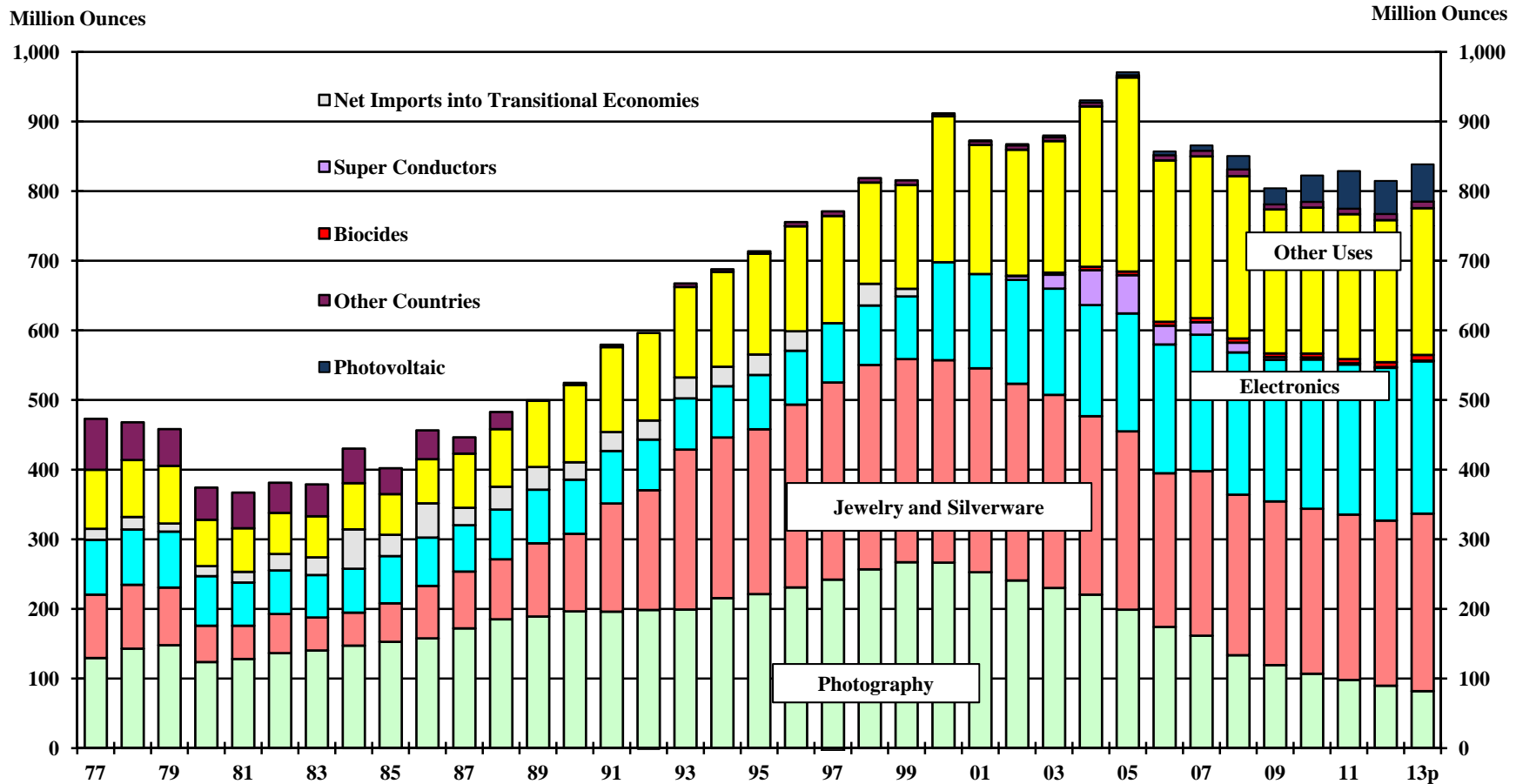
# Secondary Supply Rose in 2012, but is Projected to Decline 19% in 2013

Annual Secondary Supply  
*Projected Through 2013*



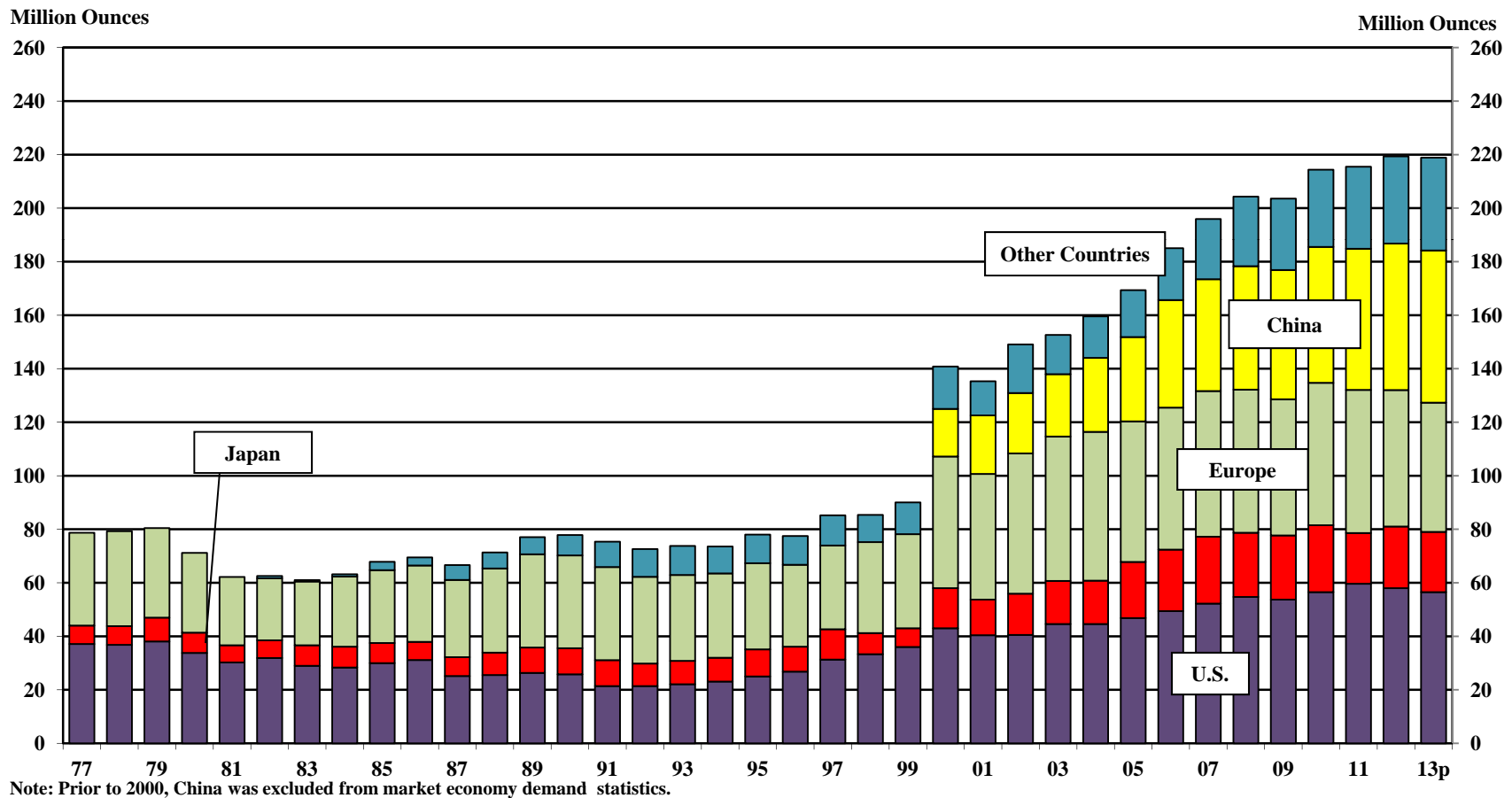
# Fabrication Demand Expected to Rise 3% in 2013

Annual Total Fabrication Demand  
*Projected Through 2013*



# Electronics Demand Growth is Slowing

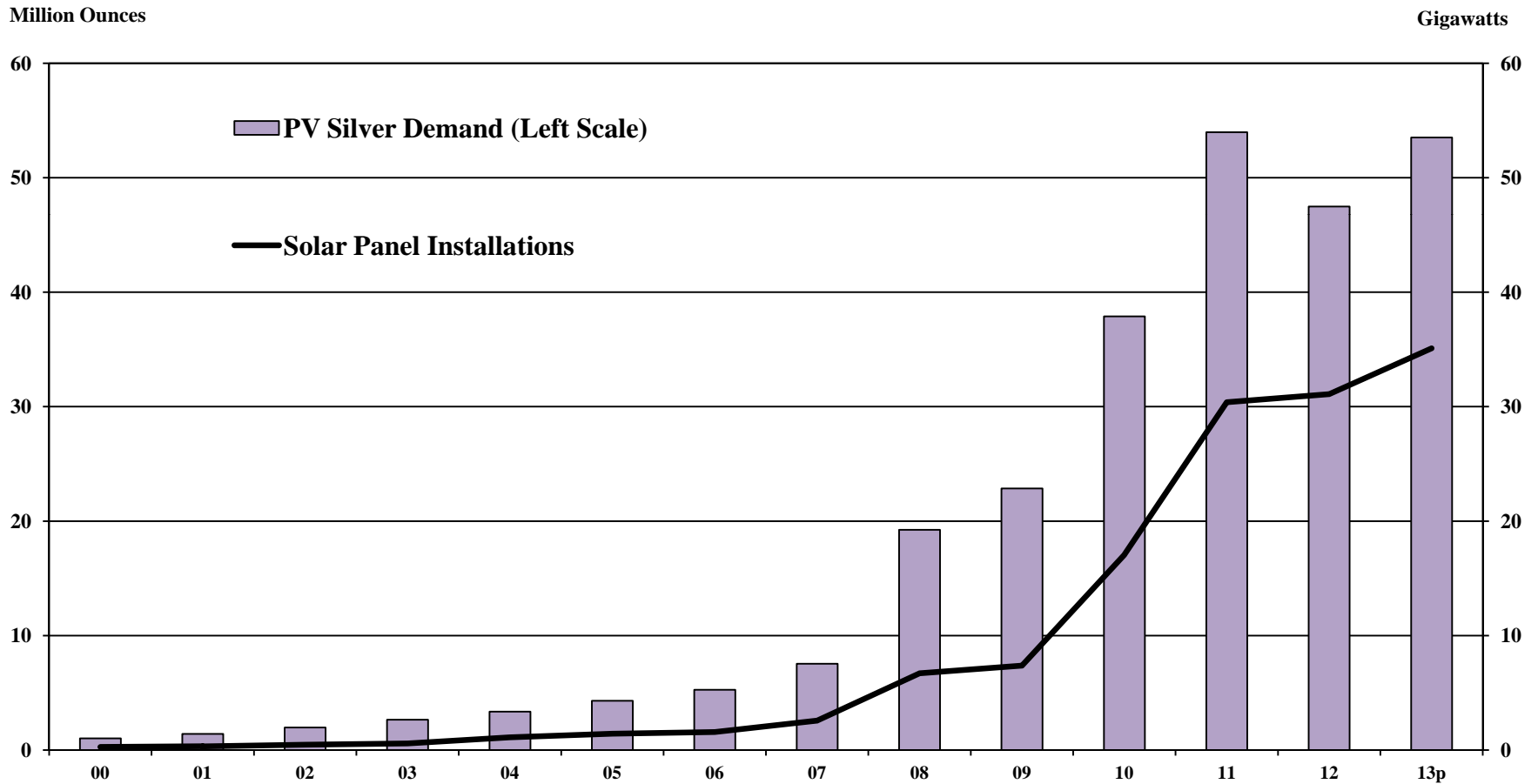
Silver Fabrication Demand for Electronics and Batteries  
*Annual, Projected Through 2013*



# First Drop in Silver Demand from Photovoltaics in 2012, Recovered in 2013

## Solar Panel Silver Demand, Installations, and Production

Projected Through 2013

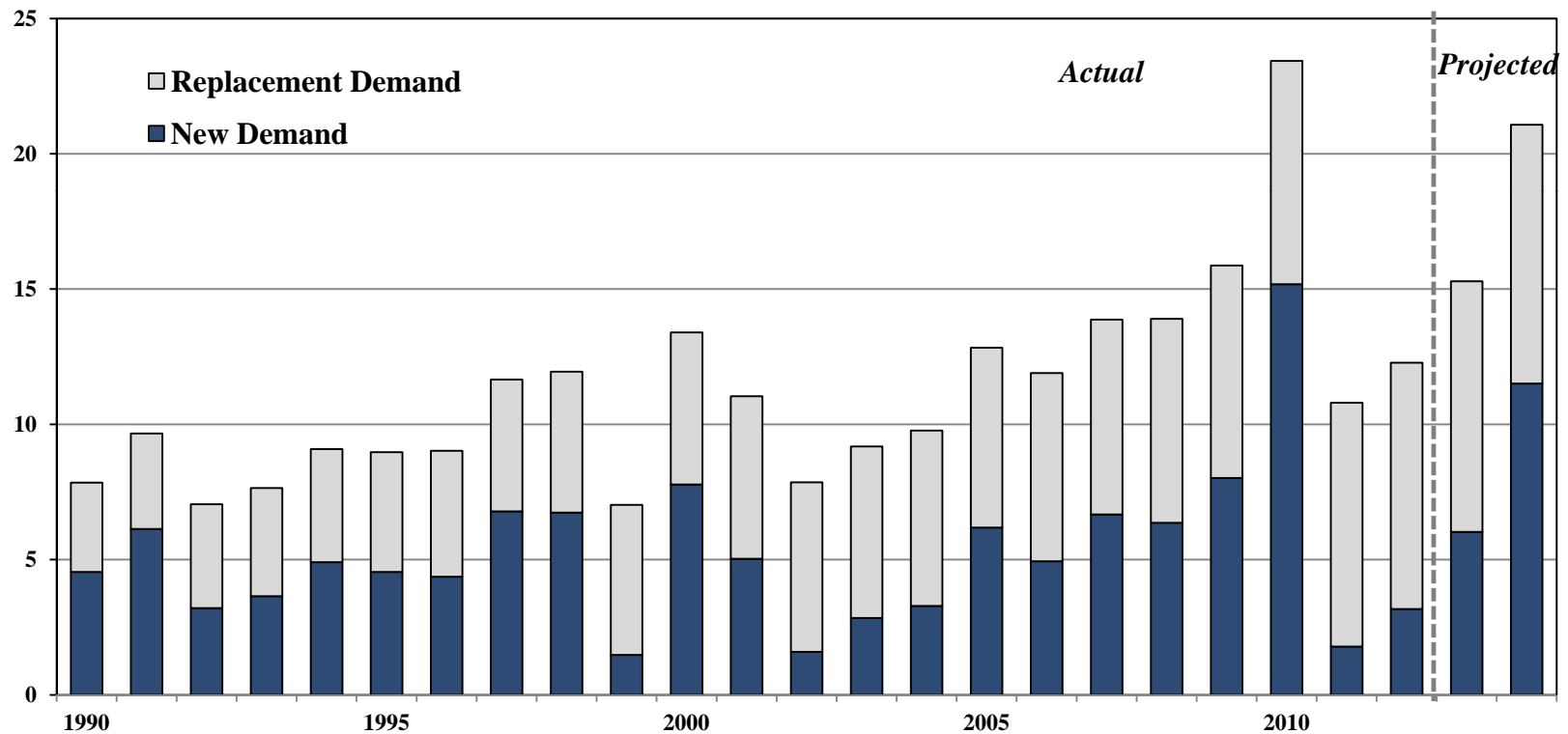


# Ethylene Oxide Catalysts – Surge in Demand Expected in 2014

## Silver Demand for Ethylene Oxide Production Catalysts

Annual, Projected through 2014

Mln Oz

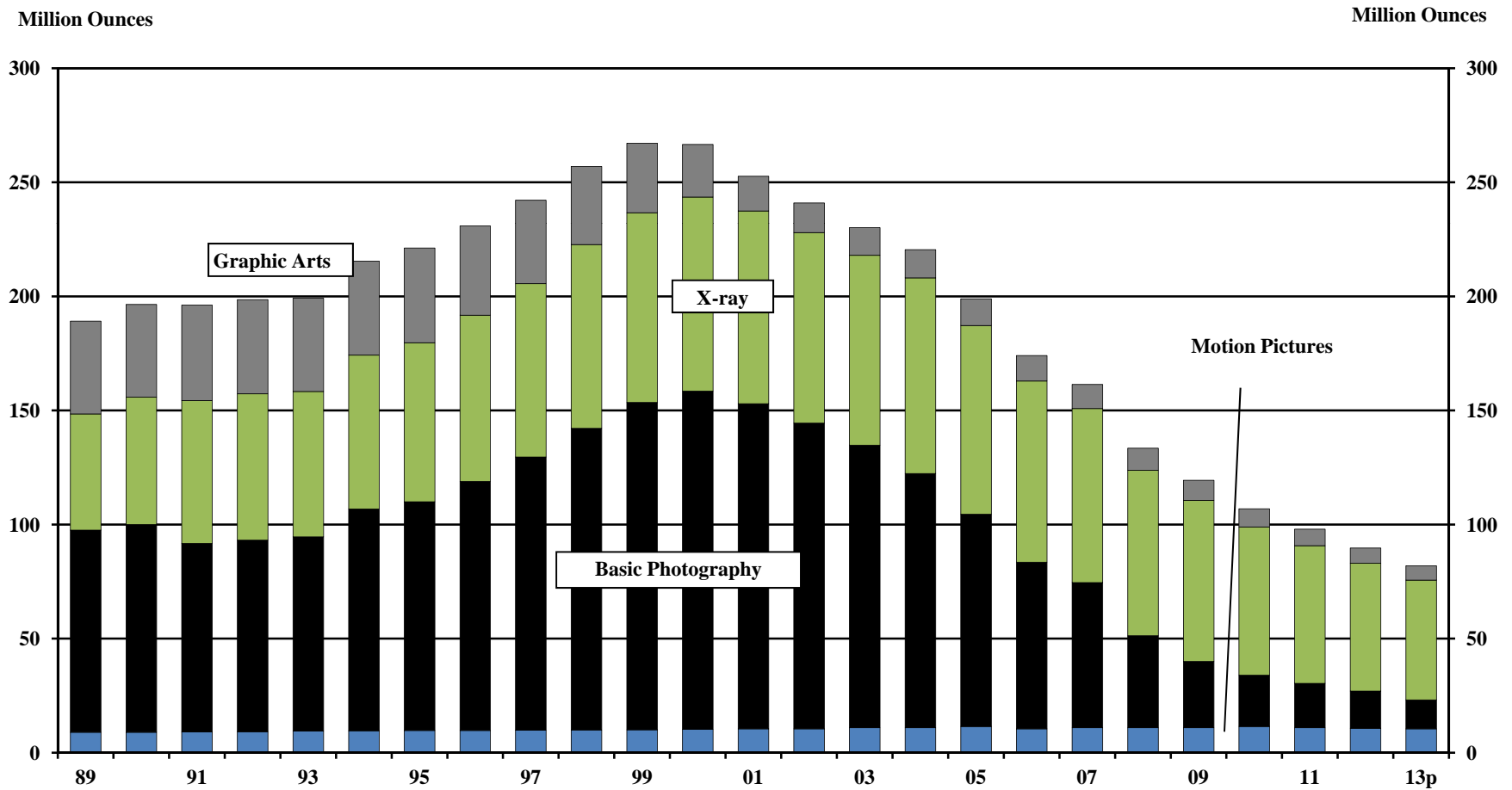


Note: 'New Demand' represents silver demand for new production capacity added to global ethylene oxide production capacity. 'Replacement Demand' represents additional silver added to existing capacity after refining losses.



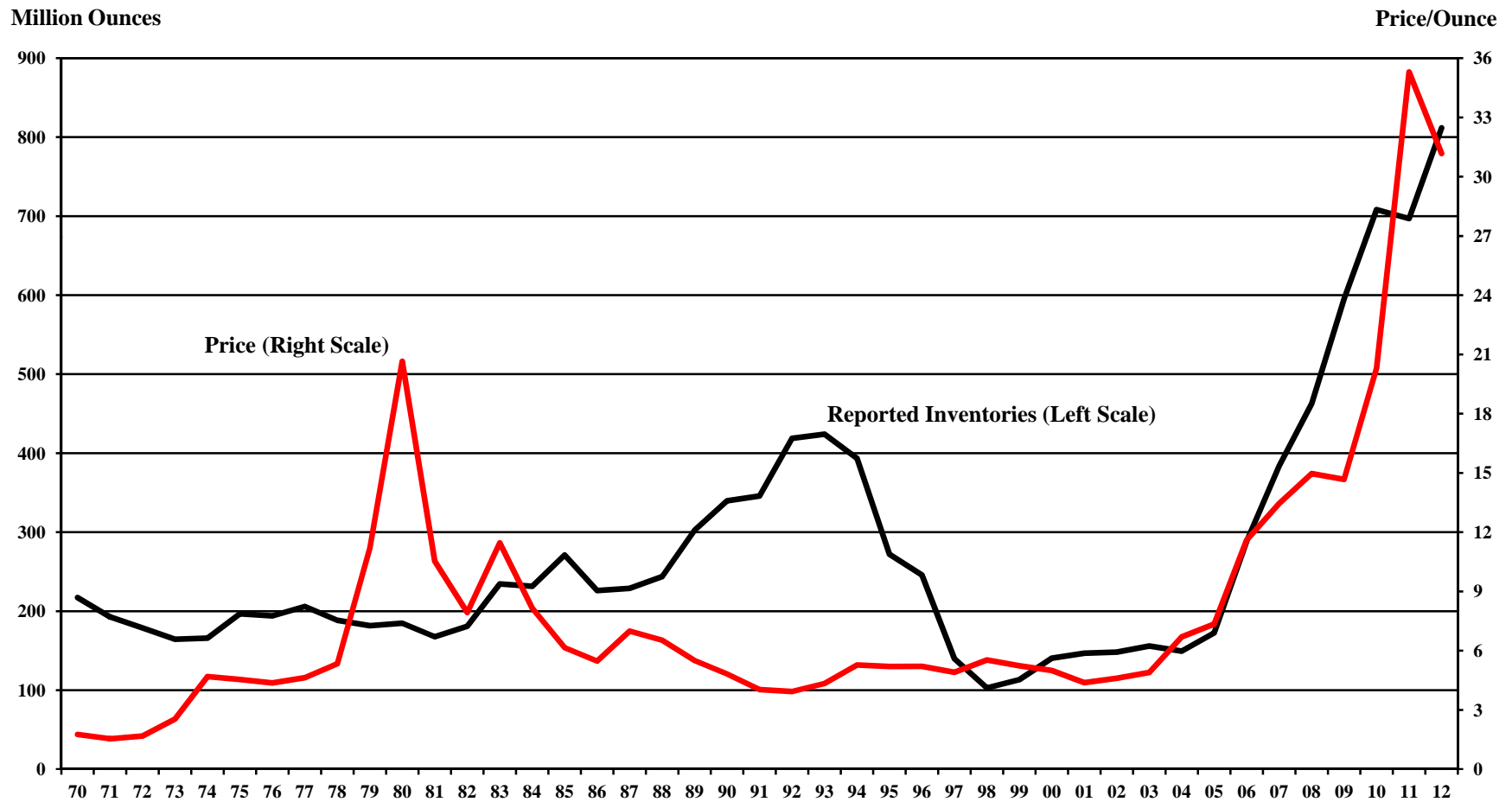
# Photography: Continuing to Decline

Silver Fabrication Demand for Photography  
*Projected Through 2013*



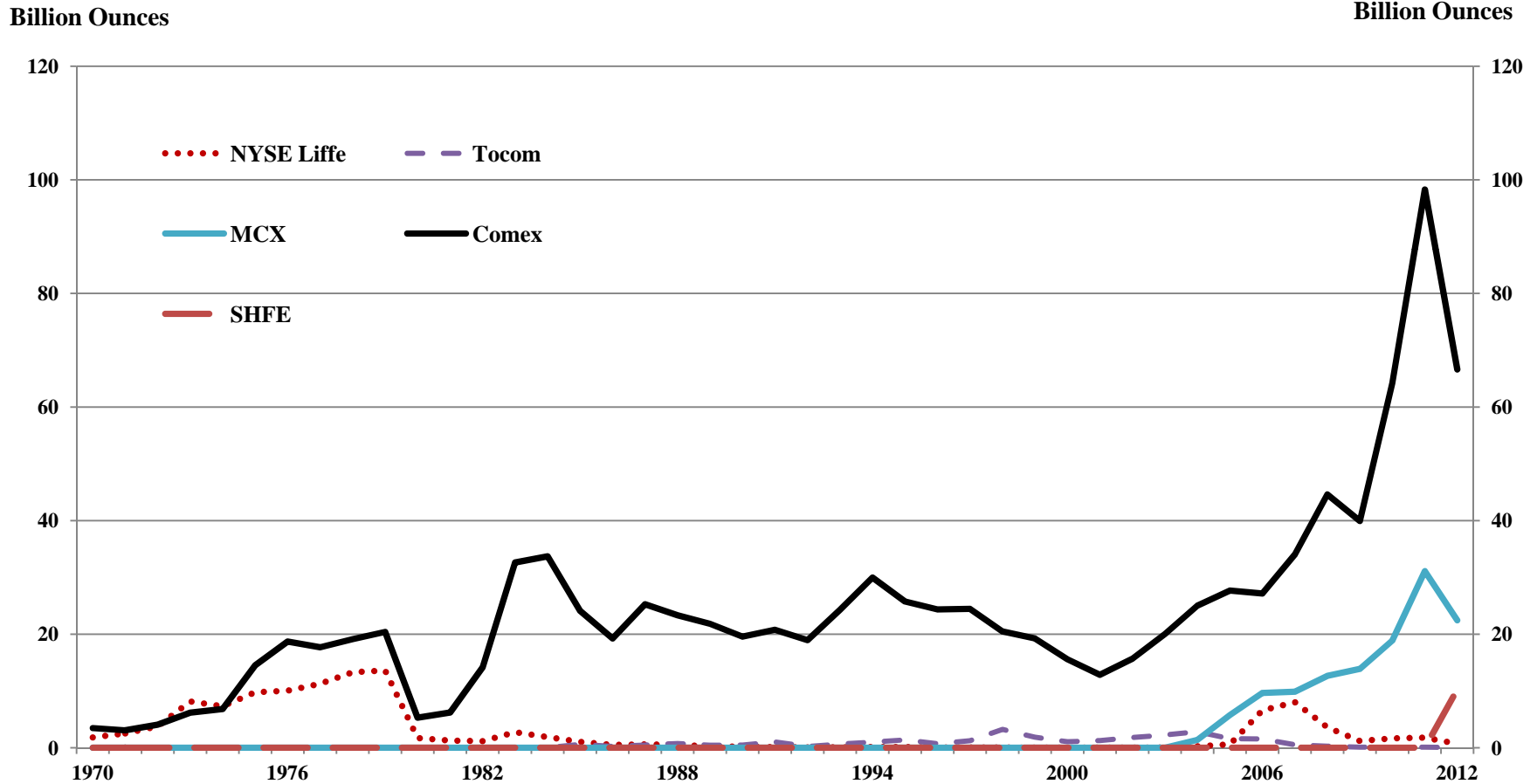
# Reported Inventories Continue to Rise

Reported Market Inventories and Prices  
*Annual, Average Comex Price, Through 2012*



# Major Exchange Trading Volumes Fell

Trading Volume on Comex, Tocom, MCX, NYSE Liffe and SHFE  
Annual, Through 2012

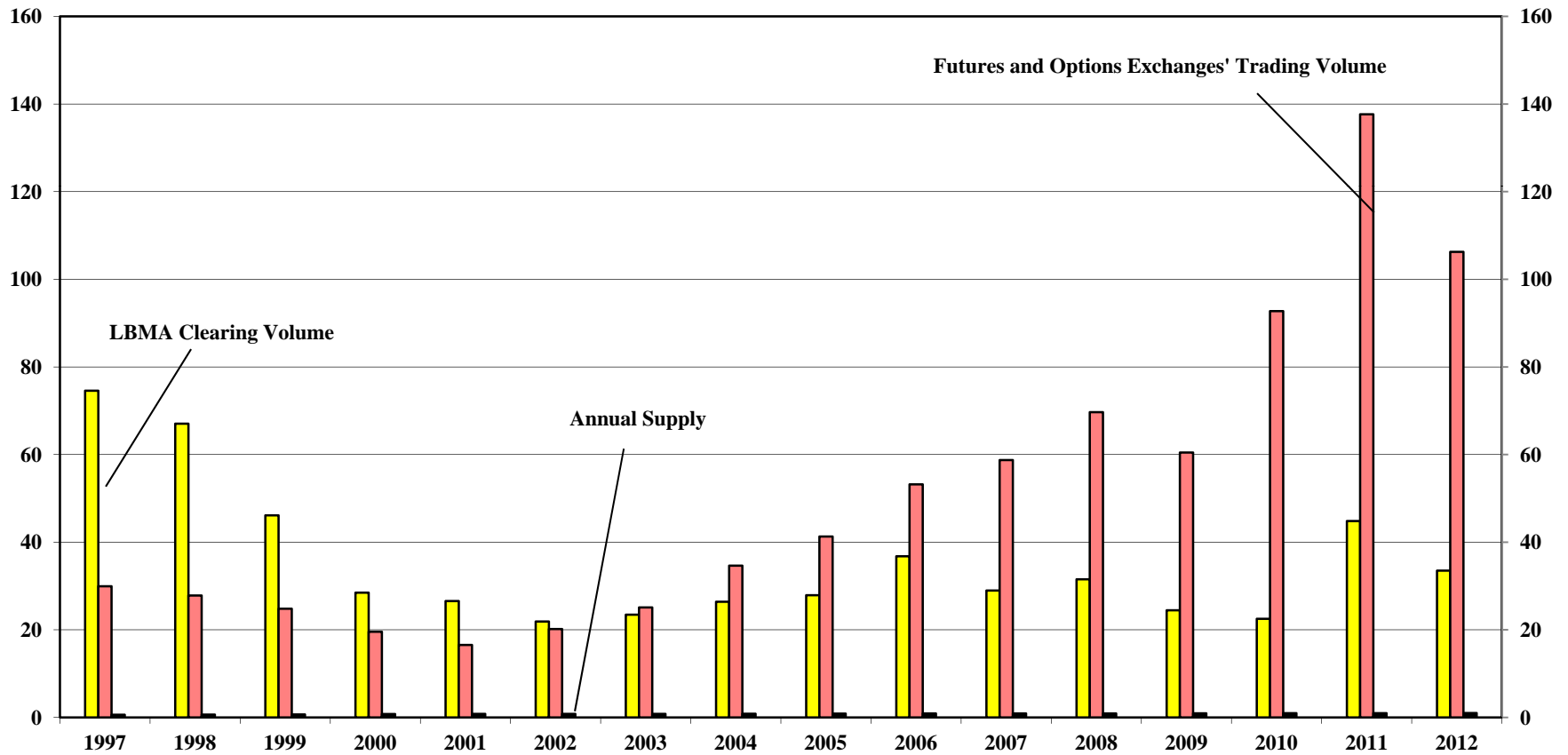


CPM Group

# Silver Market Activity Declines for the First Time Since 2009

## The Silver Market Annual, Through 2012

Billion ounces

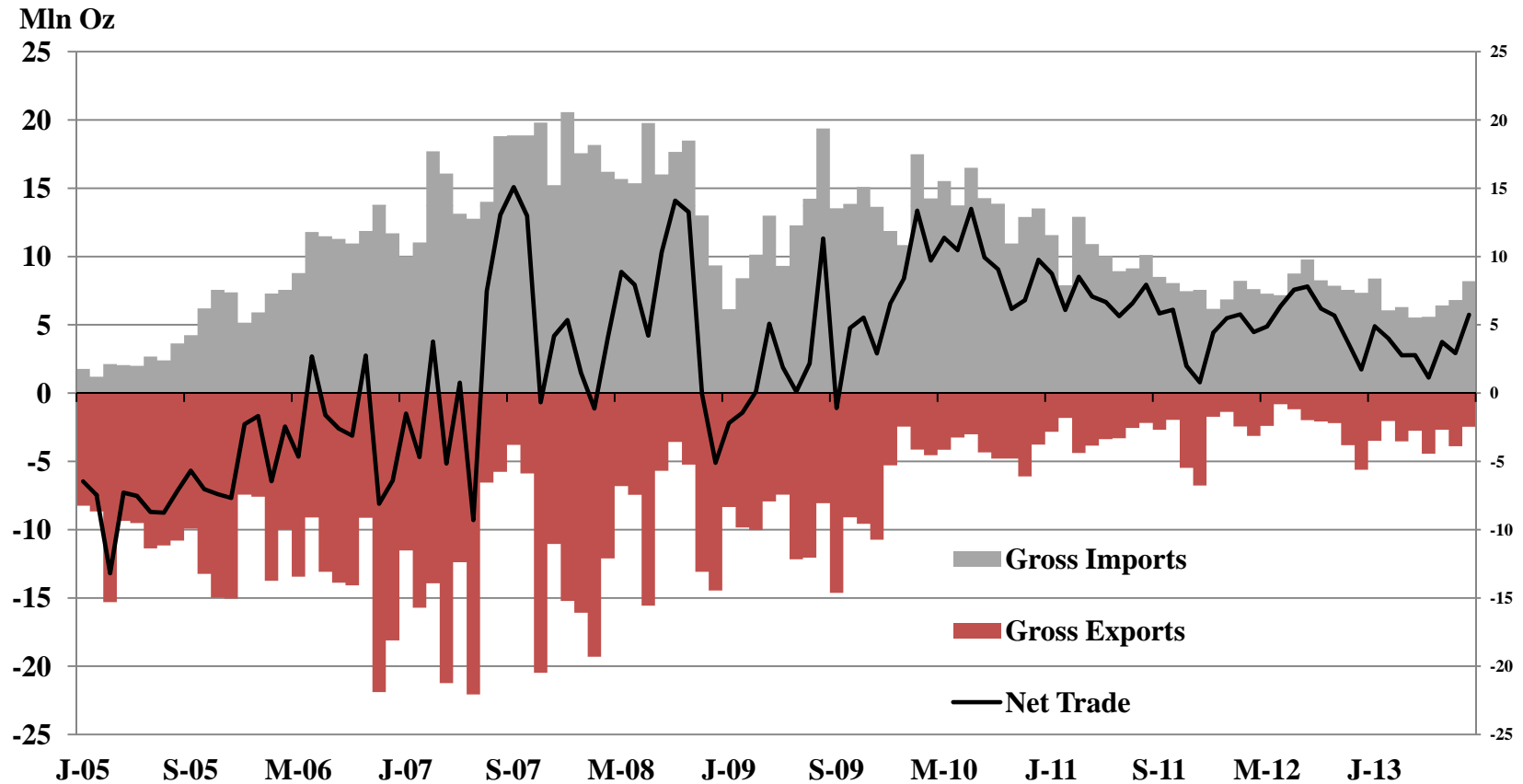


# *Recent Trends in the Silver Market*

# Chinese Silver Imports are Down 40% This Year Through August

## Chinese Silver Imports and Exports

Monthly, Through August 2013

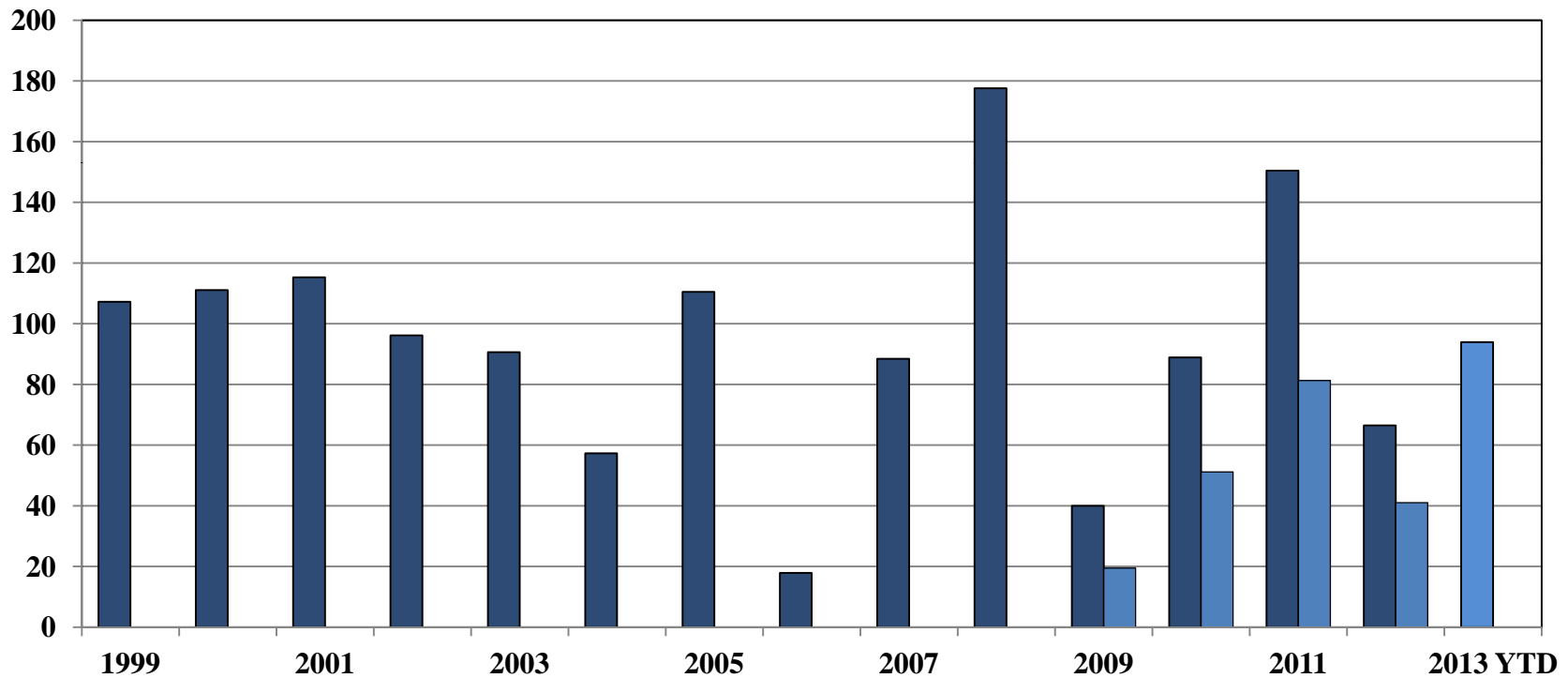


# Indian Silver Imports Have Doubled from Last Year So Far

## Reported Net Silver Imports to India

Annual, through June 2013

Million Ounces



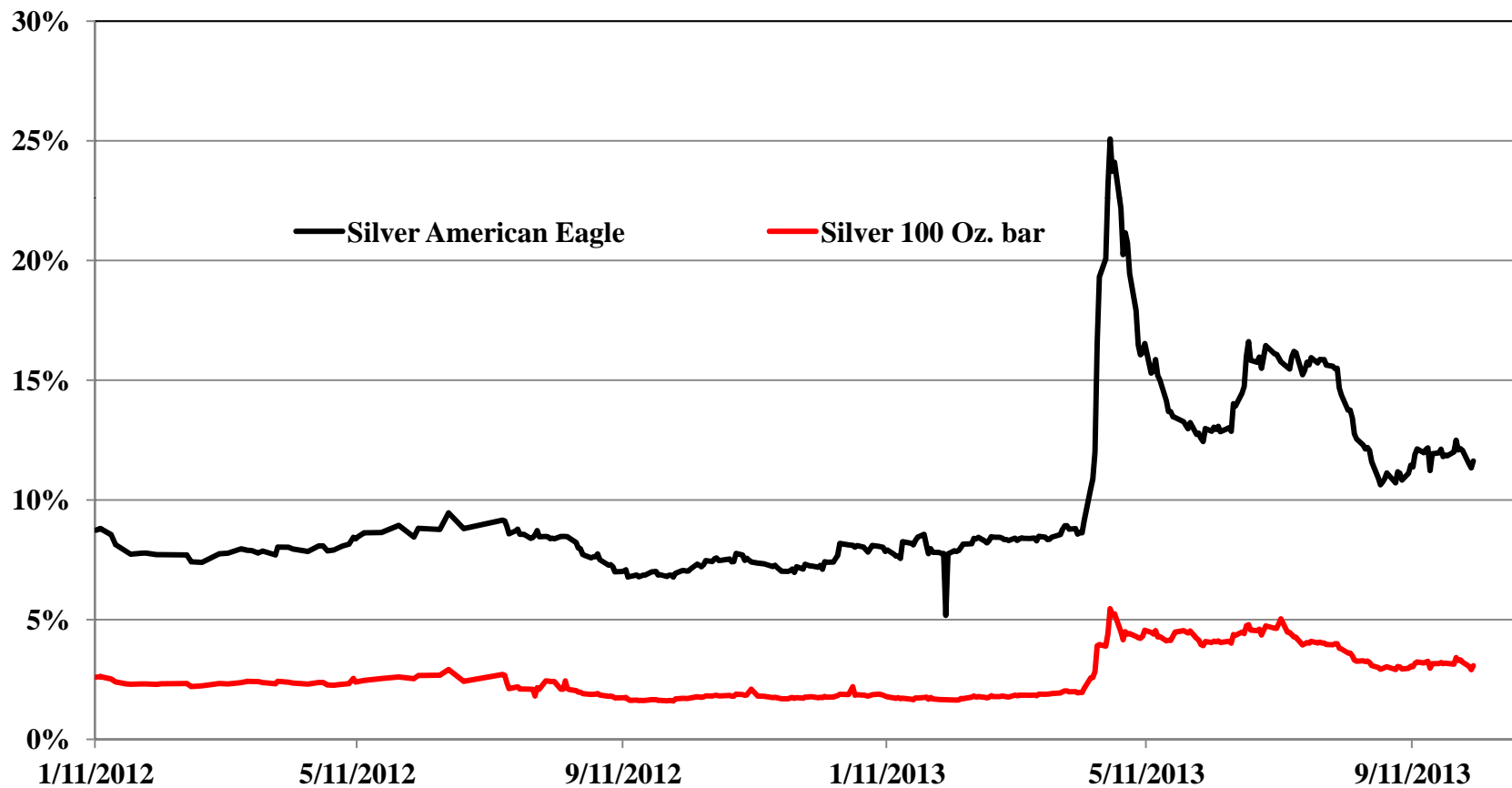
Note: Light blue bars are January through June only.

Source: GTIS - HS Code 7106

# Silver Investment Product Premia

## Silver Product Premia

Daily Data, through 9 October 2013



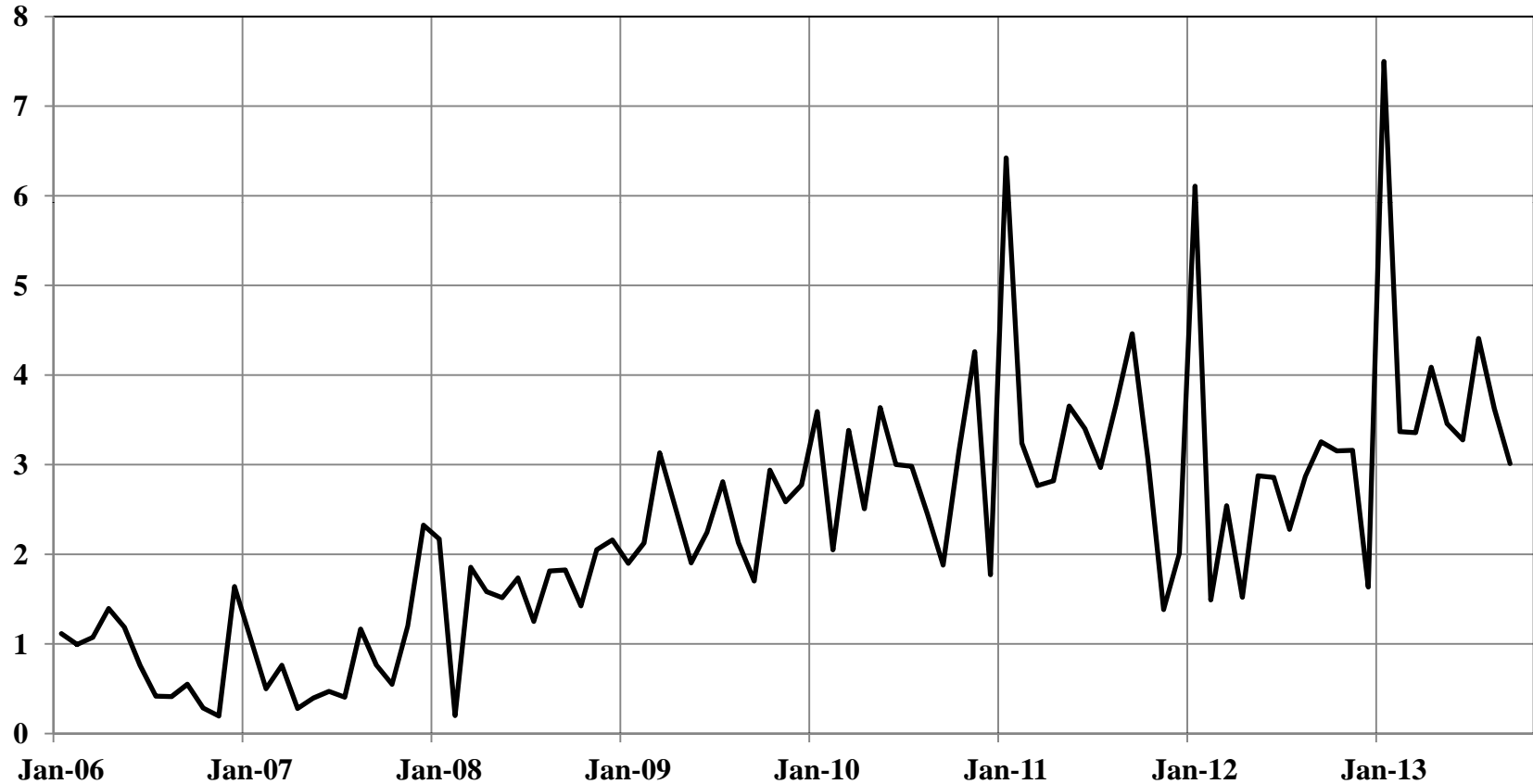


# Elevated U.S. Mint Coin Sales are Helping to Support Prices

## Monthly U.S. Mint Sales of Silver Bullion One-Ounce Coins

Through September 2013

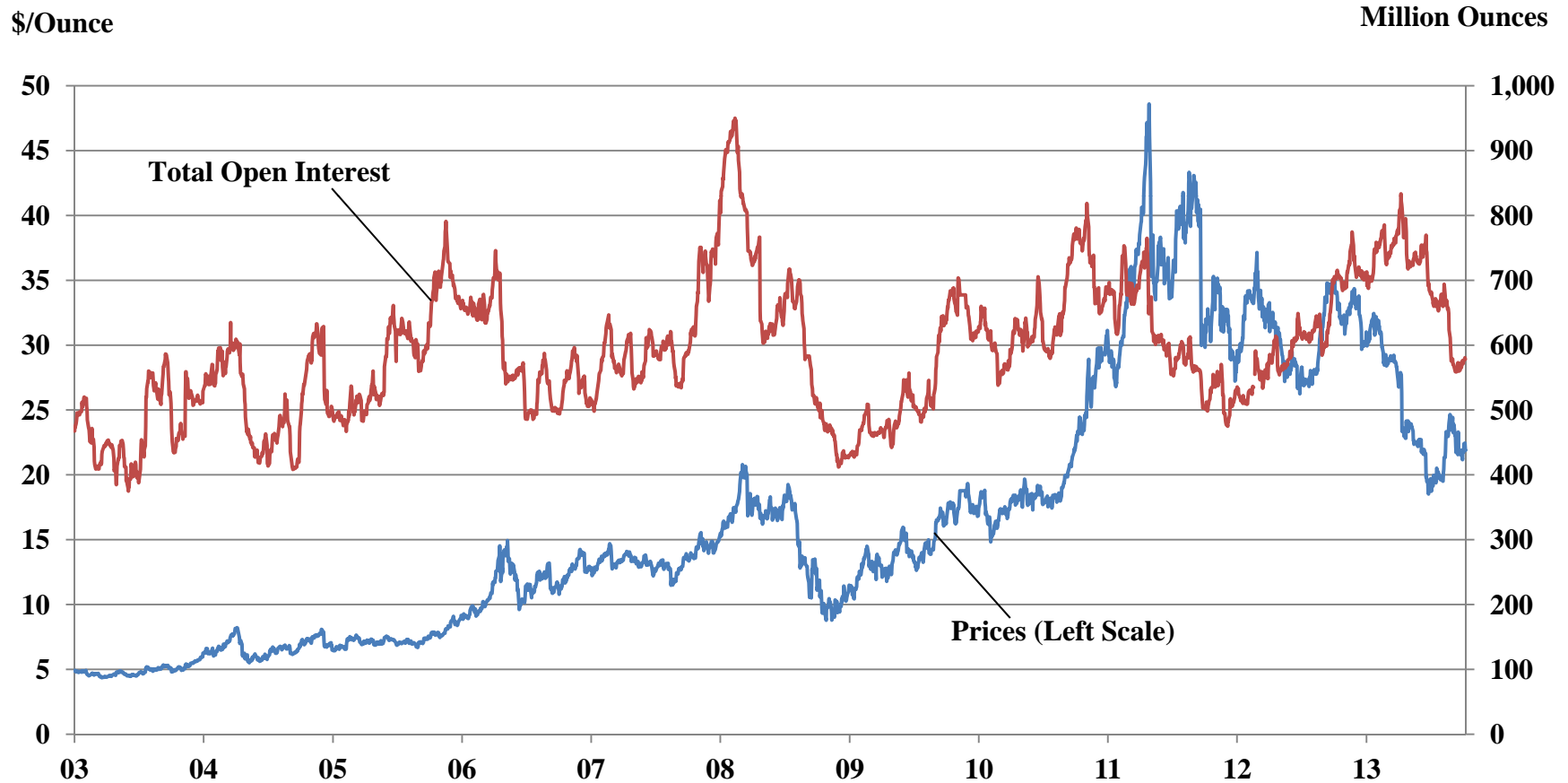
Mln Oz



# Long Liquidation in the Futures Market Since April of This Year

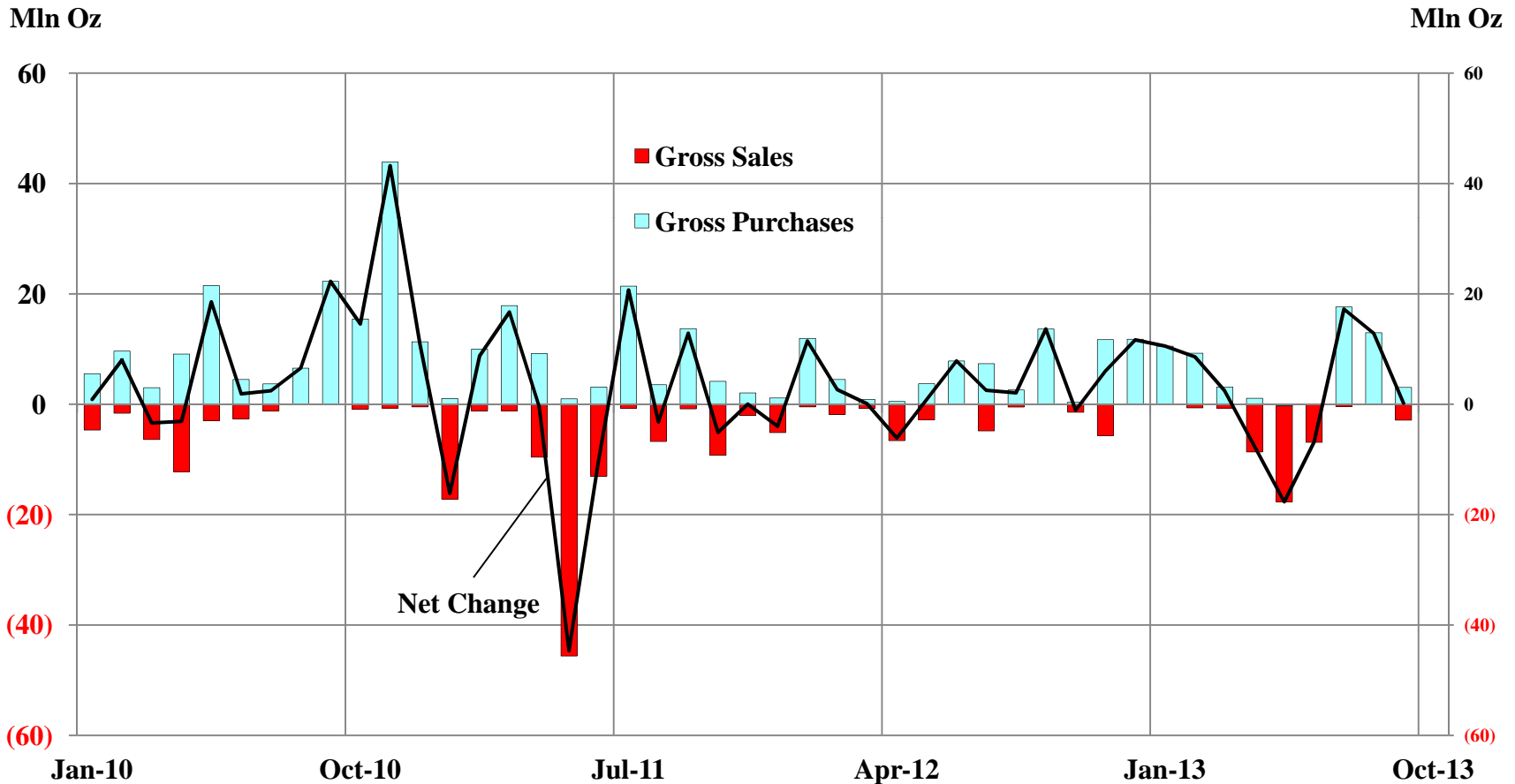
## Silver Prices and Open Interest

Daily, Through 9 October 2013



# Investors Have Added 20 Million Ounces to ETP Holdings So Far This Year

Monthly Changes in Silver ETP Holdings  
Through September 2013



---

# *Myths And Lies*

# Critical Thinking

---

**“How many times does someone have to lie to you before you stop believing him?”**

**I was not being rhetorical.**

**I really wanted you to answer this question for yourself, then, and I want you to do so now.**

# Declining Comex Registered Gold Stocks Do Not Indicate A Likely “Default”

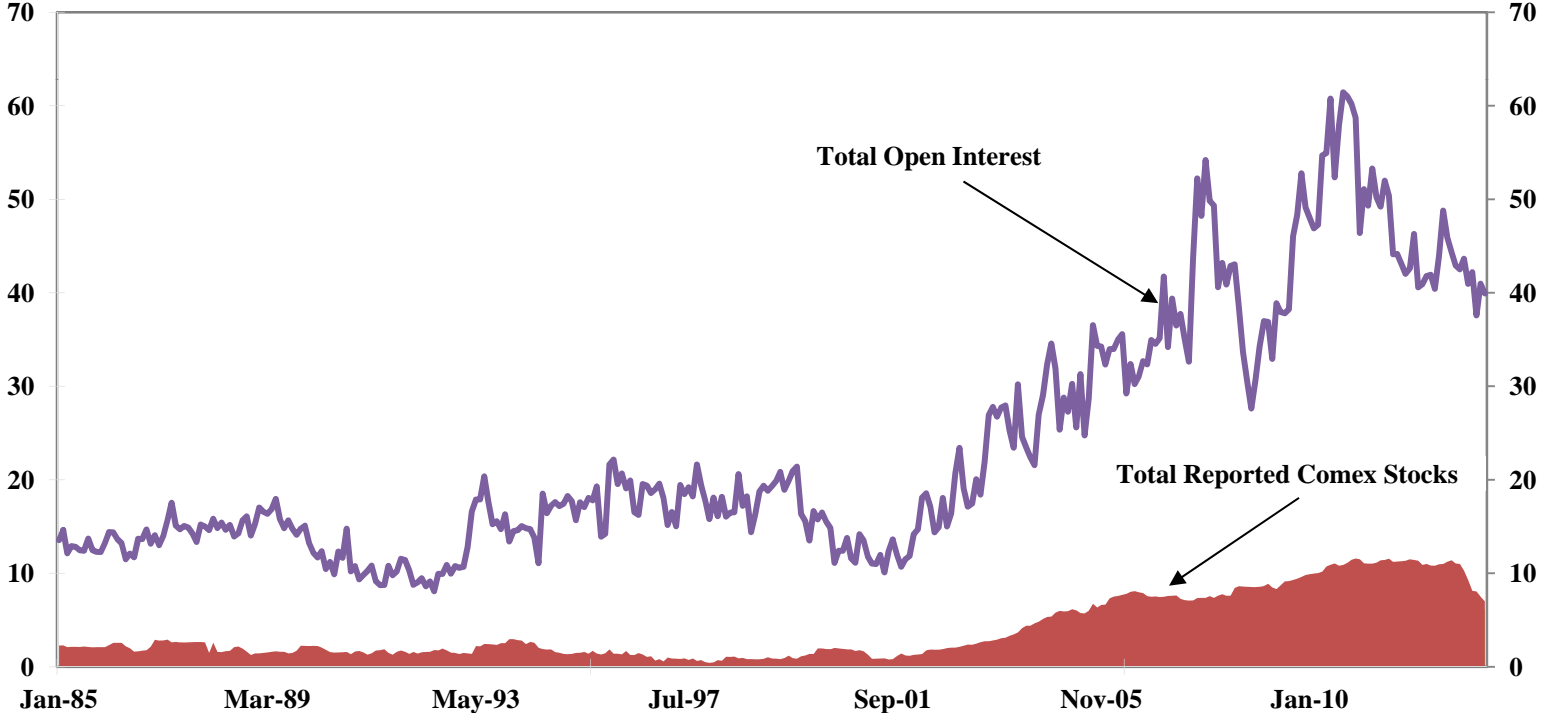
## Comex Gold Inventories Always Have Been Low Relative To Open Interest

### Comex Gold Inventories & Total Open Interest

Monthly, Through July 2013

Million Ounces

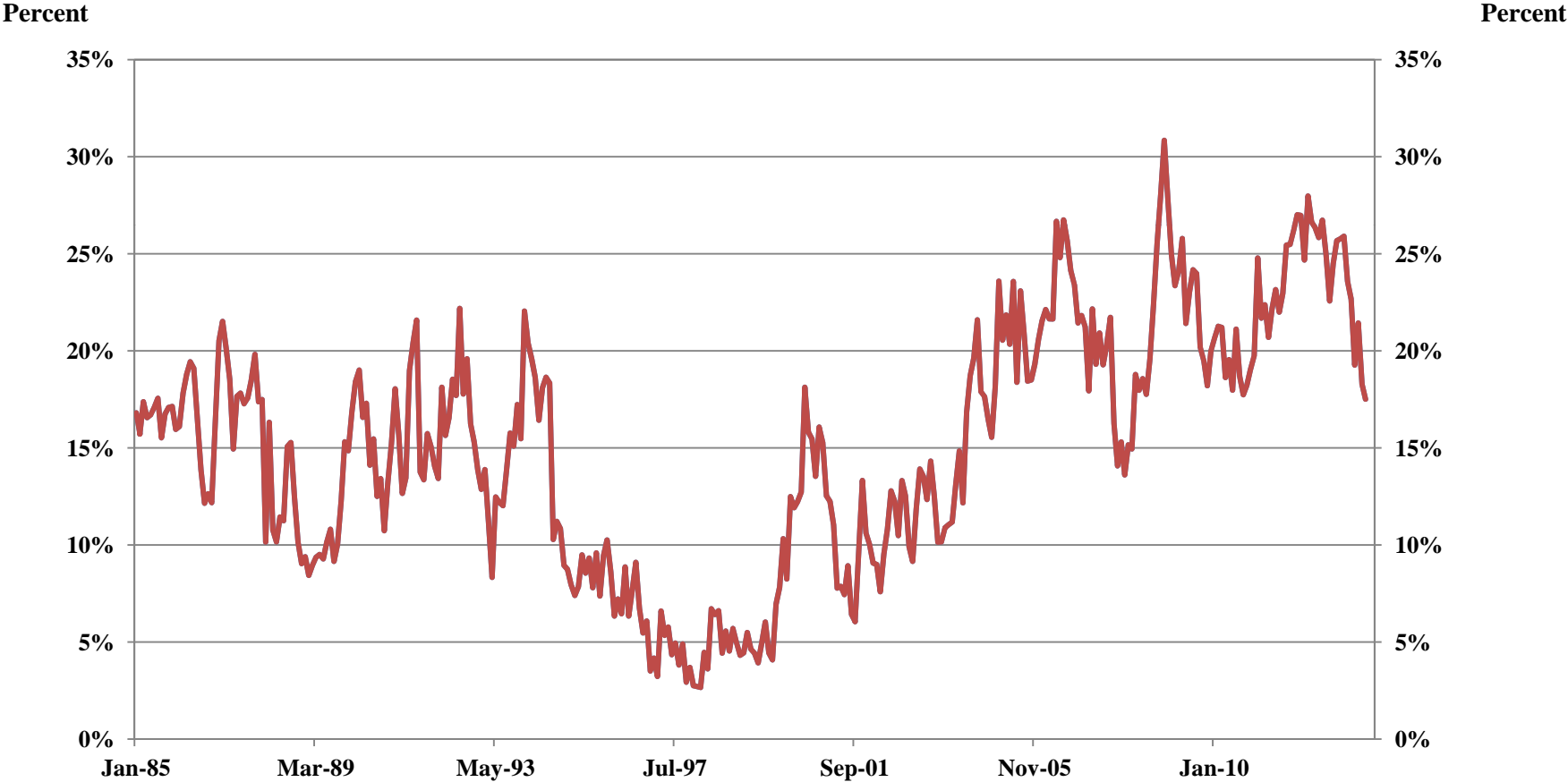
Million Ounces



# Gold Inventories Actually Are Historically High Compared To Open Interest

**Total Reported Comex Inventories As A Percentage Of Comex Gold Open Interest**

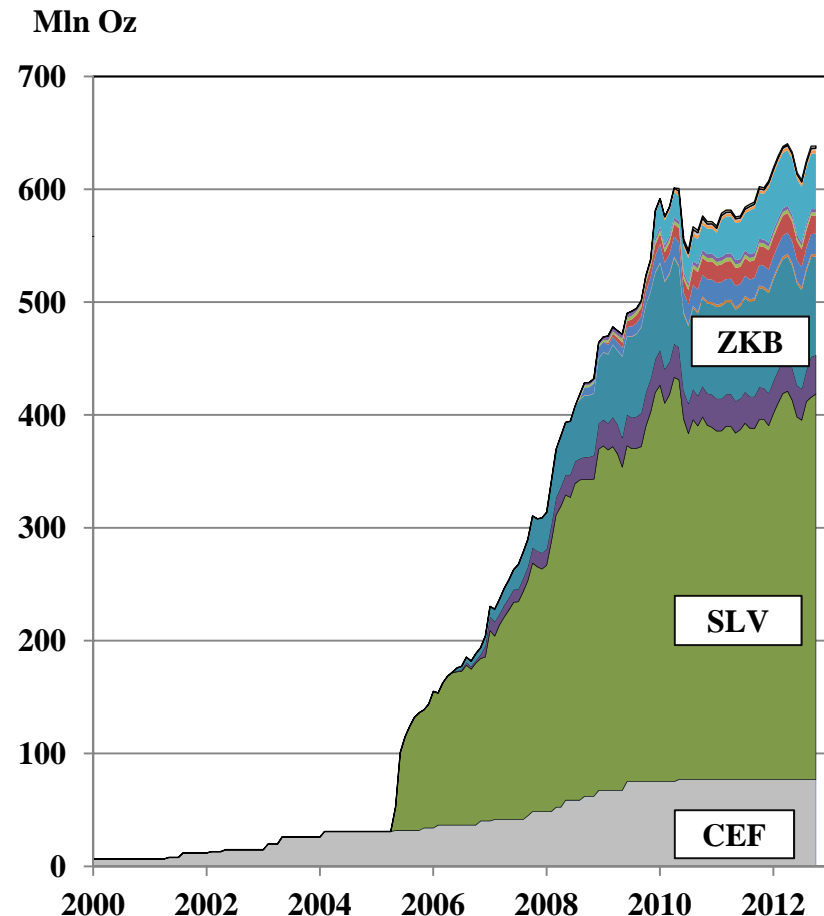
Monthly, Through July 2013



# Silver ETFs And Ample Silver Inventories

- Some commentators have been telling you for decades that the silver market was very tight in terms of physical supplies, and that if an investor bought even ‘just’ 50 million ounces of silver it would push prices to \$100, \$200, or more.
- Silver ETFs have bought 640 million ounces of silver since 2005. The price did rise to almost \$50, and now is around \$21 - \$22.
- **Investors have bought 12 times as much silver as these commentators have said is needed to drive prices sky high and the price has not risen to \$100, \$200, or higher. When do you start questioning whether they know anything about the real silver market? When do you stop believing?**

Silver ETP Holdings  
*Through September 2013*





## How Many Investigations Does It Take Before You Believe In The Results of the Investigations

### CFTC Closes Investigation Concerning the Silver Markets

**Washington, DC** – The Commodity Futures Trading Commission (CFTC or Commission) Division of Enforcement has closed the investigation that was publicly confirmed in September 2008 concerning silver markets. The Division of Enforcement is not recommending charges to the Commission in that investigation.... **Based upon the law and evidence ... there is not a viable basis to bring an enforcement action with respect to any firm or its employees related to our investigation of silver markets.**

*CFTC notice, 25 September 2013*

**2004:** CFTC investigates claims of silver market manipulation. Produces an unprecedented report outlining the total lack of evidence of any such manipulation, and concluding that there is evidence that no such manipulation efforts exist.

**2008:** CFTC releases the results of a second investigation into claims of silver market manipulation, again concluding no evidence exists of such a manipulation.

**2008 - 2013:** Politically inspired witch hunt ordered by CFTC commissioners to follow up on these claims. After five years, the Division of Enforcement closes that investigation for lack of evidence.



CPM Group

# Who Is Andrew Maguire?

---

Andrew Thomas Maguire, formerly Andrew Gerhard Maguire  
Born 4 June 1951 in Germany British citizen

1980s: Sundry jobs in England

- Car salesman at Henleys, a car dealership, London
- Car leasing agent at H.R. Owen car dealership, Old Brompton Road, London
- ICS, start-up insurance courier company

1989: Immigrated to Canada and started a vehicle leasing company, Custom Lease Capital Inc. Operated for around five or six years, it appears.

Late 1990s: Day traded his own account.

2004: Started another vehicle leasing company: Auto Direct Leasing and Rentals.

2005: Left his wife and family and moved back to England. Apparently unemployed for two years or so.

Circa: 2008. Had a job in a financial institution in London which reportedly collapsed in the financial crisis. Reportedly was at Lehman, which he denies. Not clear what position he held.



CPM Group

---

# Thank You